

# **Dihlabeng Local Municipality**

Annual Financial Statements for the year ended 30 June 2019



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## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Dihlabeng Local Municipality

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## **Municipal Manager:**

Mr Busa Molatseli

## **Chief Financial Officer:**

Mr Pule Khiba

## **Members of the Dihlabeng Local Municipality**

<b><u>Ward No:</u></b>	<b><u>Councillor</u></b>
1	Mr T I Mofokeng
2	Mr M M Twala
3	Mr D B Michaels
4	Mr M D Motaung
5	Mr T J Mbambo
6	Ms J Twala
7	Ms T M Mofokeng
8	Mr T M H Mofokeng
9	Mr B F Mokoena
10	Ms C J van Niekerk
11	Mr M D Shabalala
12	Mr J M Radebe
13	Mr T J Seekane
14	Mr T J Tseki
15	Ms M E Sempe
16	Mrs S M Jacobs
17	Mrs A L Rakhothule - Mkhwanazi
18	Mrs N E Mabizela
19	Mr M St V Mofokeng
20	Mr P D Lengoabala

## **Public Representatives Councillors**

Mrs L U Makhalema	Mr J K Rathebe
Ms M A Maleka	Mrs M A Mokoena
Ms M E Lekhoa	Mrs H E Mokoena
Ms M F Mabuya	Mr E T Motlounq
Mr G J Roetz	Ms N A Motaung
Mr P A Maasdorp	Mr J J Nhlapo
Mr M J Mokoena	Mr M K Mthombeni
Mr D L Xaba	Ms M V Oliphant

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Ms M A Motaung

Mr A Wolmarans

Ms Z Nzimande

## **Executive Mayor:**

Councillor L.U. Makhalema

## **Speaker:**

Councillor P.D. Lengoabala

## **Members of the Audit Committee:**

Ms V C Sikaundi	-	Chairperson
Mr. MD Motaung	-	Member

## **Nature of the entity**

The municipality is established in terms of Chapter 7 of the Constitution of the Republic of South Africa.

## **Relevant legislation**

Constitution of the Republic of South Africa

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act (Act No 5 of 2012)

The Income Tax Act (Act No 28 of 1997)

Value Added Tax Act (Act No 89 of 1991)

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Disaster Management Act (Act no 57 of 2002)

Municipal Electoral Act (Act no 27 of 2000)

Municipal Demarcation Act (Act no 27 of 1998)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

## **APPROVAL OF FINANCIAL STATEMENTS:**

I am responsible for the preparation of these annual financial statements, which are set out on pages 18 to 98 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 29 and 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager  
Busa Molatseli

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Chief Financial Officer  
Pule Khiba

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Municipal Manager  
Busa Molatseli



Chief Financial Officer  
Pule Khiba

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## ACCOUNTING OFFICER'S REPORT

### 1. INTRODUCTION

The 2018/19 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2018/19 budget:

- The eradication of backlogs and investment in infrastructure for basic services and growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2018/19 financial year.

The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

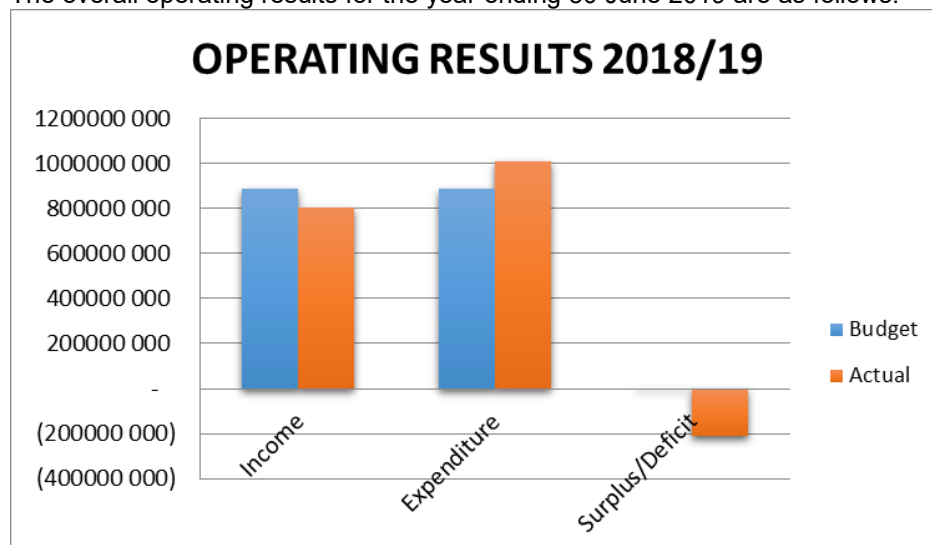
### 2. REVIEW OF OPERATING RESULTS

The 2018/19 budget of Dihlabeng Local Municipality was approved by Council in May 2018.

#### 2.1 General

Details of the 2018/19 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results is shown in the graph below:

The overall operating results for the year ending 30 June 2019 are as follows:



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

	Original Budget 2018	Adjusted	Actual 2018	Variance Actual / Adjusted budget	Actual 2017
Description	R'000	R'000	R'000	%	R'000
<b>REVENUE</b>					
Operating revenue for the year	888 806	888 806	801 858	10,39%	726 379
	888 806	888 806	801 858		726 379
<b>EXPENDITURE</b>					
Operating expenditure for the year	888 806	888 806	1 010 514	11,70%	904 689
Fair value adjustment	-	-	116		114
Gain on disposal of assets	-	-	1 926		(46 890)
Actuarial Gains / (loss)			(765)		(3 486)
Gain on biological assets	0	-	917		
	888 806	888 806	1 012 707		854 427

The actual net expenditure of the Municipality reflects an increase of 11.70% while the actual revenue of the Municipality has increased by 11.70% in 2018/19

The largest increase on revenue occurred on Interest received (15%), traffic fines (377%), licenses and permits (174%), other income (384%), Government Grants (15%) and Dividends received (17%).

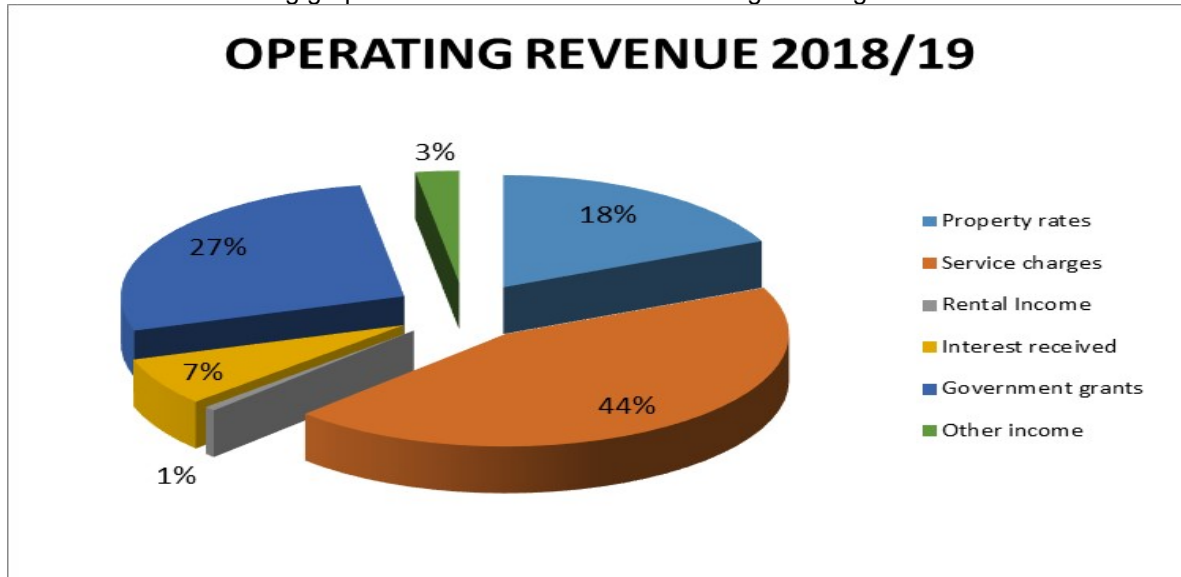
The largest increase on expenditure occurred on personnel costs (17%), depreciation (104%), contracted services (10%) Bulk Purchases (12%), general expenses (14%).

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

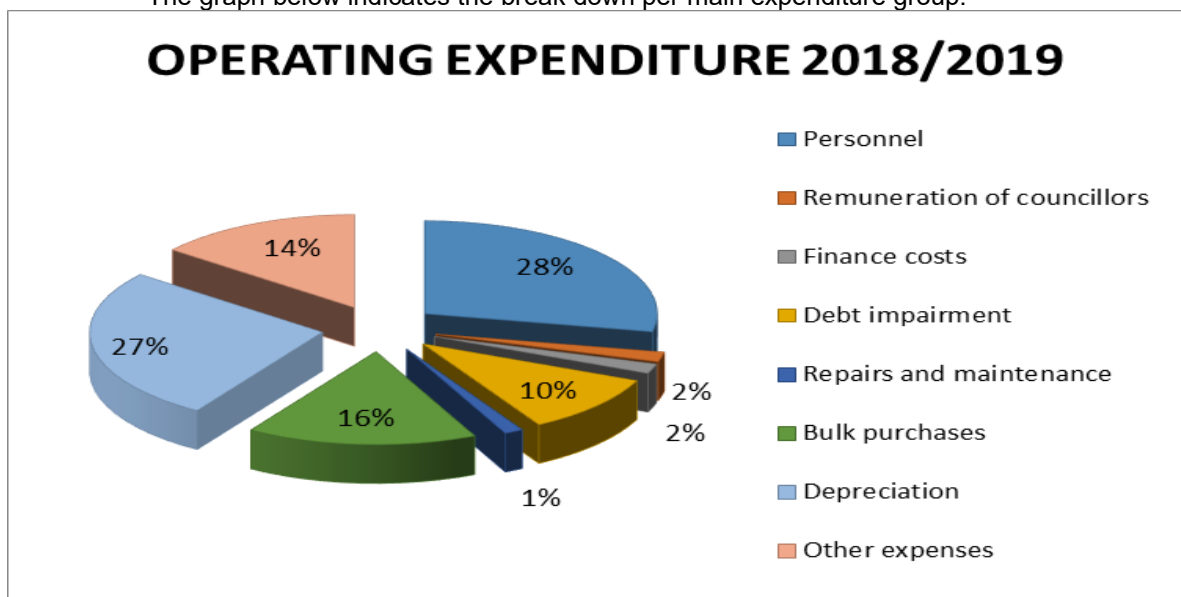
## 2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



## 2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.



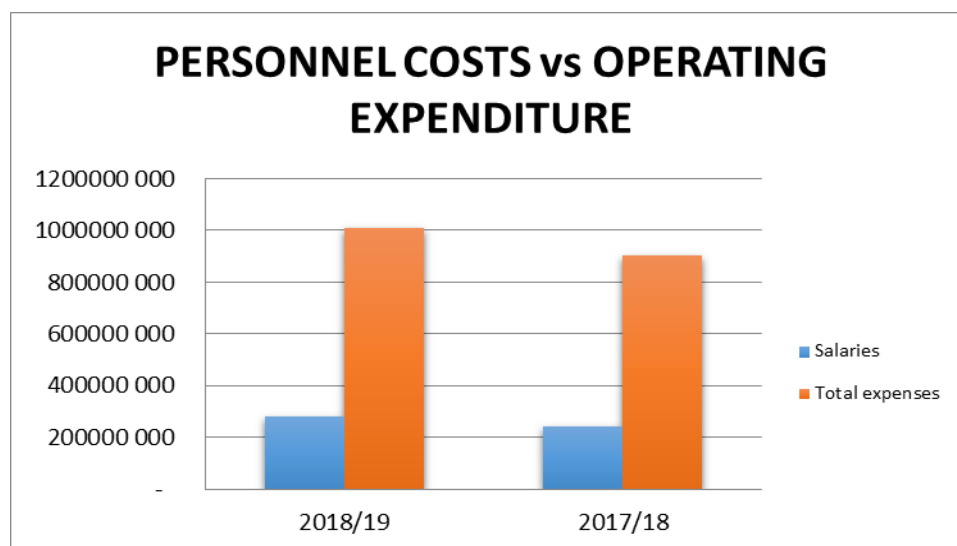
# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 27.75% in 2017/18 to 26.54% in 2018/19. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contract intensive whilst others might be more labour intensive. The target for remuneration as a percentage of expenditure is 30%.

Description	2018/19 R'000	2017/18 R'000
Total operating expenditure	1 010 514	904 689
Total operating revenue	801 858	726 379
Employee remuneration	280 421	240 143
Ratio: % of total expenditure	27,75%	26,54%
Ratio: % of total revenue	34,97%	33,06%
% in/decrease in remuneration	16,77%	15,43%



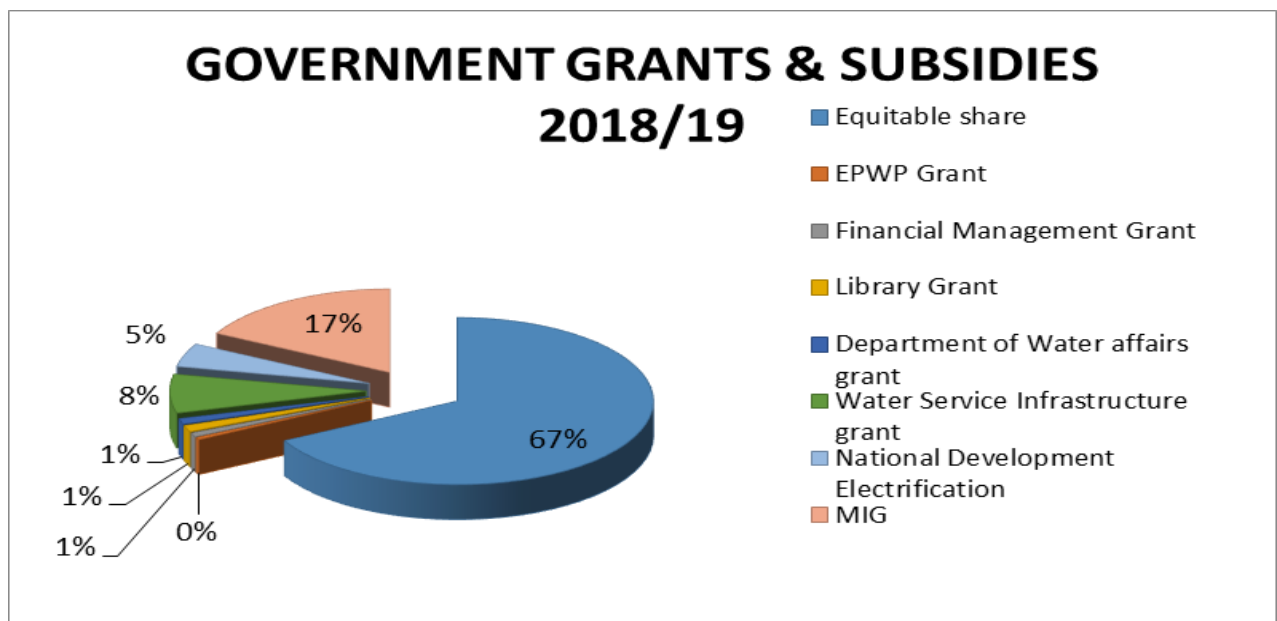
# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Free State Provincial Government, which have been included in the total revenue:

Description	2018/19	2017/18
Equitable share	147 861 000	129 764 000
EPWP Grant	1 000 000	1 000 000
Financial Management Grant	1 770 000	1 700 000
Library Grant	2 750 000	2 500 000
Department of Water affairs grant	2 443 765	2 448 517
Water Service Infrastructure grant	16 550 000	15 000 000
National Development Electrification	10 000 000	
MIG	37 914 000	39 281 000
	220 288 765	191 693 517



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 2.4 Operating statement analysis

The following difference occurred with regards to the operating results for the 2018/19 financial year. Please refer to pages 22 of the financial statements.

	Final Adjustment budget	Vire- ments (i.t.o council approved policy)	Final budget	Actual outcomes	Unauthorized expenditure	Variances	Actual outcome as % of final budget	Reasons for variances
Property rates	156 035	-	156 035	146 336	-	-9 699	94%	within 10%
Services charges	402 299	-	402 299	354 356	-	-47 943	88%	Due to decrease in utilization of water and electricity/Over budget
Interest received	43 509	-	43 509	55 874	-	12 365	128%	Due to non payment of debts by consumers
Transfers recognised - operational	153 381	-	153 381	153 381	-	-	100%	
Other own revenue	133 582	-	133 582	32 224	-	101 358	24%	Due to less revenue received than anticipated.
<b>TOTAL REVENUE</b>						-		
<b>(Excluding capital transfers and contributions)</b>	<b>888 806</b>	<b>-</b>	<b>888 806</b>	<b>742 170</b>	<b>-</b>	<b>146 636</b>	<b>84%</b>	
						-		
Employees cost	246 274	-	246 274	280 421	34 147	-34 147	114%	Due to annual increases
Remuneration of councillors	15 730	-	15 730	16 858	1 128	-1 128	107%	within 10%
Debt impairment	117 112	-	117 112	102 120	-14 992	14 992	87%	Due to non payment of debts by consumers
Depreciation and asset impairment	77 806	-	77 806	265 855	188 049	188 049	342%	Due to Assets audit performed during the year/all assets
Finance charges					8 205		197%	Due to cash flow problems, payments



## Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

	8 500	-	8 500	16 705		-8 205		could not be made as required to Eskom and Hydro.
Materials and bulk purchases	161 998	-	161 998	159 699	-2 299	2 299	99%	within 10%
Other expenditure	234 212	-	234 212	157 081	-77 131	77 131	67%	Due to low cash flow and non-payment of services by consumers
				<b>1</b>		<b>-</b>		
<b>TOTAL EXPENDITURE</b>	<b>888 806</b>	<b>-</b>	<b>888 806</b>	<b>010 514</b>	<b>121 708</b>	<b>121 708</b>	114%	

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 2.5 Financial Position statement analysis

The following difference occurred with regards to the operating results for the 2018/19 financial year. Please refer to pages 18 to 23 of the financial statements.

	Approved budget	Adjustments	Final budget	Actual amounts	Variances	Actual outcome as % of final budget	Reasons for variances
<b>CURRENT ASSETS</b>							
Other financial assets	1 117 000,00	-	1 117 000,00	1 194 539,00	(77 539,00)	107%	within 10%
Inventories	426 000,00	-	426 000,00	1 138 065,00	(712 065,00)	267%	more stock items needed
Receivables from exchange transactions	-	-	-	10 557 249,00	(10 557 249,00)		
Other receivables from non-exchange transactions	-	-	-	3 263 211,00	(3 263 211,00)		
VAT Receivable	-	-	-	11 827 648,00	(11 827 648,00)		
Consumer debtors	114 524 000,00	-	114 524 000,00	116 235 825,00	(1 711 825,00)	101%	within 10%
Trade receivables from exchange	-	-	-	26 045 037,00	(26 045 037,00)		
Cash and cash equivalents	-	-	-	2 889 113,00	113 177 887,00		
<b>NON CURRENT ASSETS</b>	<b>116 067 000,00</b>		<b>116 067 000,00</b>	<b>173 150 687,00</b>	<b>58 983 313,00</b>		
Investment property	-	-	-	-	-		
Property, plant and equipment	97 027 000,00	-	97 027 000,00	660 157 824,00	(563 130 824,00)	680%	Re-classification of assets in the assets register
	3 034 334 000,00	-	3 034 334 000,00	1 693 217 405,00	1 341 116 595,00	56%	Over budgeting
Biological assets	000,00	-	000,00	000,00	000,00	89%	Decrease in market value
Heritage assets	4 638 000,00	-	4 638 000,00	4 148 275,00	489 725,00		
Intangible assets	-	-	-	46 260 000,00	(46 260 000,00)		
Other financial assets	81 000,00	-	81 000,00	1 152 177,00	(1 071 177,00)	1422%	Upgrade in IT infrastructure
<b>CURRENT LIABILITIES</b>	<b>1 094 000,00</b>		<b>1 094 000,00</b>	<b>584 027,00</b>	<b>509 973,00</b>	<b>53%</b>	<b>Over budgeting</b>
Other financial liabilities	-	-	-	-	-		
Finance Lease obligation	3 673 000,00	-	3 673 000,00	4 627 040,00	(954 040,00)	126%	Under budgeting
Payables from exchange	-	-	-	307 503,00	(307 503,00)		

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Consumer deposits	285 564 000,00	285 564 000,00	485 363 287,00	(199 799 287,00)	170%	VAT were also included in the budget figures
<b>NON CURRENT LIABILITIES</b>	5 875 000,00	5 875 000,00	8 733 153,00	(196 742 414,00)	149%	Improved data cleansing and collections
Retirement benefit obligations		-				
Finance Lease obligation	47 153 000,00	47 153 000,00	22 000 000,00	25 153 000,00	47%	Over provision/budget
Long service awards	-	-	1 102 213,00	(1 102 213,00)		
Other financial liabilities	-	-	17 946 000,00	(17 946 000,00)		
Provisions	37 153 000,00	- 37 153 000,00	29 097 963,00	8 055 037,00	78%	DBSA loans restructuring

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 3. DEBTORS

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2018/19	2017/18
Consumer debtors	561 627 730	529 246 831
Balance on 1 July	649 856 887	627 375 389
Balance on 30 June	847 728 152	755 328 781
Average balance	748 792 520	691 352 085
Days in the financial year	365	365
Turnover: Number of days	487	477
Turnover: Number of times (levies/average balance)	0,75	0,77

From the table it is clear that, the number of days to recover increased from 477 to 487 since 2017/18. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. Measures have been put in place to recover the debts and the legal actions taken are starting to have an impact on the poor payment culture within our municipality. The increase in debtors has a serious impact on the going concern of the municipality.

## 4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2018/19 amounted to R66.9 million and was accepted by National Treasury.

Of these funds the MIG funding of R37.9 million was spent in the 2018/19 financial year and R18.9 million was spent from DWA funding and R10 million on Electrification.

### Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- The raising of loans
- The cash flow of the Municipality

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 6. CHALLENGES EXPERIENCED DURING 2018/19

### 6.1 GOING CONCERN ISSUES

The going concern of the municipality remains an issue that management needs to address; the following areas are of concern:


- The government subsidies equate to 27% of our income. The situation improved by 1% from the 2017/18 financial year (i.e 30%). This means that there was a lesser reliance by the municipality on government grants.
- With reference to 5.2 (Quick asset ratio), the ratio of 0,34 : 1 is still a poor given the norm of 1: 1. The recoverability of our debtors still remains a problem hence the large provision for doubtful debts.
- Our overdrawn cash book balance plus short portion of long-term debt to operating revenue ratio (section 5.5 above) shows and decrease from 5.22% (2017/18) to 4.21% (2018/19).
- Although the personnel costs are within the norm of 35%. The ratio is still too high due to the impairment of debt and the municipality should make all possible efforts to reduce it to at least 27.75% excluding impairment of debt in the next financial year to ensure that the municipality is able to meet all its financial obligations. (Refer to 2.3 for more detail)
- We draw attention to the fact that at 30 June 2019, the municipality had incurred a net loss of R212,325,193 (2018:R179,529,609) during the year and that the municipality's total liabilities exceed its current assets by R404,126,007 (2018:R388,312,426). In addition, the municipality owed Eskom R263,047,090 (2018: R196,787,501) and Bethlehem Hydro (Pty)Ltd R27,502,989 (2018: R15,089,242) at 30 June 2019 which is long overdue. The municipality is not able to timeously recover outstanding amounts from consumer debtors and this is resulting in the inability to pay their suppliers within the 30day time period.
- These conditions, along with other matters as set out in the financial statements indicate the existence of a material uncertainty about the municipality's ability to operate as a going concern

### 6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2018/19. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

## 7. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, office of the Municipal Manager, CFO, Directors, Managers and Staff members. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my office to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August).



**BUSA MOLATSELE**  
**MUNICIPAL MANAGER**

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	2	1 138 065	1 563 579
Other financial assets	3	1 194 539	1 125 441
Receivables from exchange transactions	4	10 557 249	11 116 232
Receivables from non-exchange transactions	5	3 263 211	2 547 248
VAT receivable	15	11 827 648	20 203 215
Trade receivables from exchange transactions	6	116 235 825	49 928 112
Trade receivable from non-exchange transactions	6	26 045 037	8 566 611
Cash and cash equivalents	7	2 889 113	1 630 243
		<b>173 150 687</b>	<b>96 680 681</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	4 148 275	3 231 570
Investment property	9	660 157 824	660 157 824
Property, plant and equipment	10	1 693 217 405	1 887 492 865
Intangible assets	11	1 152 177	1 686 129
Heritage assets	12	46 260 000	46 260 000
Other financial assets	3	584 027	537 492
		<b>2 405 519 708</b>	<b>2 599 365 880</b>
<b>Total Assets</b>		<b>2 578 670 395</b>	<b>2 696 046 561</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	13	4 627 040	4 542 573
Finance lease obligation	55	307 503	278 534
Payables from exchange transactions	14	485 363 287	393 735 836
Consumer deposits	16	8 733 153	7 380 924
		<b>499 030 983</b>	<b>405 937 867</b>
Non-Current Liabilities			
Other financial liabilities	13	29 097 963	33 364 079
Finance lease obligation	55	1 102 213	1 409 607
Employee benefit obligation	18	22 000 000	21 981 000
Provisions	17	7 095 745	6 791 554
Long service leave award	19	17 946 000	15 509 000
		<b>77 241 921</b>	<b>79 055 240</b>
<b>Total Liabilities</b>		<b>576 272 904</b>	<b>484 993 107</b>
<b>Net Assets</b>		<b>2 002 397 491</b>	<b>2 211 053 454</b>
Accumulated surplus		<b>2 002 397 491</b>	<b>2 211 053 454</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	354 355 525	335 342 577
Rendering of services		1 549 638	1 519 625
Rental of facilities and equipment	22	5 062 736	4 734 142
Interest received (trading)		55 873 791	48 616 972
Licenses and permits		152 674	55 639
Other income	23	14 121 375	2 917 946
Interest received - investment	24	51 288	293 483
Gain on disposal of assets and liabilities		1 925 848	-
Fair value adjustments on investments		115 827	114 019
Gain on biological asset		916 705	298 960
Dividends received	24	9 900	8 485
<b>Total revenue from exchange transactions</b>		<b>434 135 307</b>	<b>393 901 848</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	146 335 678	140 553 140
<b>Transfer revenue</b>			
Government grants and subsidies	26	220 288 765	191 693 517
Traffic fines		1 098 302	230 440
<b>Total revenue from non-exchange transactions</b>		<b>367 722 745</b>	<b>332 477 097</b>
<b>Total revenue</b>	20	<b>801 858 052</b>	<b>726 378 945</b>
<b>Expenditure</b>			
Employee costs	27	(280 420 806)	(240 142 695)
Remuneration of councillors	28	(16 858 102)	(16 329 665)
Depreciation, impairment and amortisation	29	(265 855 106)	(130 492 056)
Finance costs	30	(16 704 788)	(21 733 327)
Debt Impairment	31	(102 119 588)	(154 174 414)
Bulk purchases	32	(159 699 358)	(142 514 736)
Contracted services	33	(6 552 127)	(5 942 282)
Repairs and maintenance		(11 775 432)	(11 741 106)
Loss on disposal of assets and liabilities		-	(46 889 975)
Actuarial losses		(765 000)	(3 486 000)
General expenses	34	(149 763 707)	(131 243 186)
<b>Total expenditure</b>		<b>(1 010 514 014)</b>	<b>(904 689 442)</b>
<b>Deficit for the year</b>		<b>(208 655 962)</b>	<b>(178 310 497)</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 619 898 085	1 619 898 085
Adjustments		
Correction of errors - Note 46	769 465 866	769 465 866
<b>Balance at 01 July 2017 as restated*</b>	<b>2 389 363 951</b>	<b>2 389 363 951</b>
Changes in net assets		
Deficit for the year	(178 310 497)	(178 310 497)
Total changes	(178 310 497)	(178 310 497)
Opening balance as previously reported	1 495 231 621	1 495 231 621
Adjustments		
Correction of errors - Note 46	715 821 832	715 821 832
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>2 211 053 453</b>	<b>2 211 053 453</b>
Changes in net assets		
Deficit for the year	(208 655 962)	(208 655 962)
Total changes	(208 655 962)	(208 655 962)
<b>Balance at 30 June 2019</b>	<b>2 002 397 491</b>	<b>2 002 397 491</b>



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		366 241 847	383 962 116
Grants		220 288 765	191 693 517
Interest income		26 296 454	2 274 609
Dividends received		9 900	8 485
		<u>612 836 966</u>	<u>577 938 727</u>
<b>Payments</b>			
Employee costs		(287 277 572)	(248 481 381)
Suppliers		(238 005 220)	(246 253 022)
Finance costs		(12 715 384)	(18 074 730)
		<u>(537 998 176)</u>	<u>(512 809 133)</u>
<b>Net cash flows from operating activities</b>	38	<b><u>74 838 790</u></b>	<b><u>65 129 594</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(71 045 695)	(56 580 137)
Proceeds from sale of property, plant and equipment		1 925 848	998 511
<b>Net cash flows from investing activities</b>		<b><u>(69 119 847)</u></b>	<b><u>(55 581 626)</u></b>
<b>Cash flows from financing activities</b>			
Decrease of other financial liabilities		(4 181 650)	(3 502 557)
Finance lease payments		(278 425)	(356 413)
<b>Net cash flows from financing activities</b>		<b><u>(4 460 075)</u></b>	<b><u>(3 858 970)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 258 868</b>	<b>5 688 998</b>
Cash and cash equivalents at the beginning of the year		1 630 243	(4 058 752)
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>2 889 111</u></b>	<b><u>1 630 246</u></b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	402 299 000	-	402 299 000	354 355 525	(47 943 475)	Note 54
Rendering of services	-	-	-	1 549 638	1 549 638	Note 54
Rental of facilities and equipment	2 129 000	-	2 129 000	5 062 736	2 933 736	Note 54
Interest received (trading)	43 509 000	-	43 509 000	55 873 791	12 364 791	Note 54
Licences and permits	58 000	-	58 000	152 674	94 674	Note 54
Other income	132 352 000	-	132 352 000	14 121 375	(118 230 625)	Note 54
Interest received - investment	92 000	-	92 000	51 288	(40 712)	
Dividends received	-	-	-	9 900	9 900	
<b>Total revenue from exchange transactions</b>	<b>580 439 000</b>	<b>-</b>	<b>580 439 000</b>	<b>431 176 927</b>	<b>(149 262 073)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	156 035 000	-	156 035 000	146 335 678	(9 699 322)	Note 54
<b>Transfer revenue</b>						
Government grants & subsidies - operational	150 631 000	-	150 631 000	163 559 248	12 928 248	Note 54
Fines, Penalties and Forfeits	1 701 000	-	1 701 000	1 098 302	(602 698)	Note 54
<b>Total revenue from non-exchange transactions</b>	<b>308 367 000</b>	<b>-</b>	<b>308 367 000</b>	<b>310 993 228</b>	<b>2 626 228</b>	
<b>Total revenue</b>	<b>888 806 000</b>	<b>-</b>	<b>888 806 000</b>	<b>742 170 155</b>	<b>(146 635 845)</b>	
<b>Expenditure</b>						
Personnel	(246 274 000)	-	(246 274 000)	(280 420 806)	(34 146 806)	Note 54
Remuneration of councillors	(15 730 000)	-	(15 730 000)	(16 858 102)	(1 128 102)	Note 54
Depreciation and amortisation	(77 806 000)	-	(77 806 000)	(265 855 106)	(188 049 106)	Note 54
Finance costs	(8 500 000)	-	(8 500 000)	(16 704 788)	(8 204 788)	Note 54
Debt Impairment	(117 112 000)	-	(117 112 000)	(102 119 588)	14 992 412	Note 54
Bulk purchases	(161 998 000)	-	(161 998 000)	(159 699 358)	2 298 642	Note 54
Contracted Services	(112 311 000)	-	(112 311 000)	(6 552 127)	105 758 873	Note 54
Repairs and maintenance	(3 059 000)	-	(3 059 000)	(11 775 432)	(8 716 432)	Note 54
General Expenses	(136 535 000)	-	(136 535 000)	(149 763 707)	(13 228 707)	Note 54
<b>Total expenditure</b>	<b>(879 325 000)</b>	<b>-</b>	<b>(879 325 000)</b>	<b>(1 009 749 014)</b>	<b>(130 424 014)</b>	
<b>Operating deficit</b>	<b>9 481 000</b>	<b>-</b>	<b>9 481 000</b>	<b>(267 578 859)</b>	<b>(277 059 859)</b>	
Gain on disposal of assets and liabilities	-	-	-	1 925 848	1 925 848	Note 54
Fair value adjustments	-	-	-	115 827	115 827	Note 54
Actuarial gains/losses	-	-	-	(765 000)	(765 000)	
Gain on biological assets and agricultural produce	-	-	-	916 705	916 705	Note 54
	-	-	-	2 193 380	2 193 380	
<b>Deficit</b>	<b>9 481 000</b>	<b>-</b>	<b>9 481 000</b>	<b>(265 385 479)</b>	<b>(274 866 479)</b>	

## Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Transfers recognised - capital	72 914 000	-	72 914 000	56 729 517	(16 184 483)	Note 54
<b>con</b>	<b>82 395 000</b>	<b>-</b>	<b>82 395 000</b>	<b>(208 655 962)</b>	<b>(291 050 962)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>						

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	426 000	-	426 000	1 138 065	712 065	Note 54
Other financial assets	1 117 000	-	1 117 000	1 194 539	77 539	Note 54
Receivables from exchange transactions	-	-	-	10 557 249	10 557 249	Note 54
Receivables from non-exchange transactions	-	-	-	3 263 211	3 263 211	Note 54
VAT receivable	-	-	-	11 827 648	11 827 648	Note 54
Consumer debtors	114 524 000	-	114 524 000	142 280 862	27 756 862	Note 54
Cash and cash equivalents	-	-	-	2 889 113	2 889 113	Note 54
	<b>116 067 000</b>	<b>-</b>	<b>116 067 000</b>	<b>173 150 687</b>	<b>57 083 687</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	4 638 000	-	4 638 000	4 148 275	(489 725)	Note 54
Investment property	97 027 000	-	97 027 000	660 157 824	563 130 824	Note 54
Property, plant and equipment	3 034 334 000	-	3 034 334 000	1 693 217 405	(1 341 116 595)	Note 54
Intangible assets	81 000	-	81 000	1 152 177	1 071 177	Note 54
Heritage assets	-	-	-	46 260 000	46 260 000	Note 54
Other financial assets	1 094 000	-	1 094 000	584 027	(509 973)	Note 54
	<b>3 137 174 000</b>	<b>-</b>	<b>3 137 174 000</b>	<b>2 405 519 708</b>	<b>(731 654 292)</b>	
<b>Total Assets</b>	<b>3 253 241 000</b>	<b>-</b>	<b>3 253 241 000</b>	<b>2 578 670 395</b>	<b>(674 570 605)</b>	

#### Liabilities

##### Current Liabilities

Other financial liabilities	3 673 000	-	3 673 000	4 627 040	954 040	Note 54
Finance lease obligation	-	-	-	307 503	307 503	
Payables from exchange transactions	285 564 000	-	285 564 000	485 363 291	199 799 291	Note 54
Consumer deposits	5 875 000	-	5 875 000	8 733 153	2 858 153	Note 54
	<b>295 112 000</b>	<b>-</b>	<b>295 112 000</b>	<b>499 030 987</b>	<b>203 918 987</b>	

##### Non-Current Liabilities

Other financial liabilities	37 636 000	-	37 636 000	29 097 963	(8 538 037)	Note 54
Finance lease obligation	-	-	-	1 102 213	1 102 213	Note 54
Employee benefit obligation	47 153 000	-	47 153 000	22 000 000	(25 153 000)	Note 54
Provisions	-	-	-	7 095 745	7 095 745	Note 54
Long service leave award	-	-	-	17 946 000	17 946 000	Note 54
	<b>84 789 000</b>	<b>-</b>	<b>84 789 000</b>	<b>77 241 921</b>	<b>(7 547 079)</b>	
<b>Total Liabilities</b>	<b>379 901 000</b>	<b>-</b>	<b>379 901 000</b>	<b>576 272 908</b>	<b>196 371 908</b>	
<b>Net Assets</b>	<b>2 873 340 000</b>	<b>-</b>	<b>2 873 340 000</b>	<b>2 002 397 487</b>	<b>(870 942 513)</b>	

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	2 873 340 000		- 2 873 340 000	2 002 397 488	(870 942 512)	Note 54

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and is rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the expected recoverable amounts. The recoverable amount is calculated by deviding the consumer debtors into categories based on their payment history and the impairment is then done on the outstanding days at year-end.

### 1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.4 Biological assets that form part of an agricultural activity (continued)

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Community assets - Buildings	Straight line	5 - 50 years
Community assets - Land		Infinite
Furniture and fixtures	Straight line	5 - 22 years
Motor vehicles	Straight line	5 - 22 years
Infrastructure - Electrical	Straight line	5 - 50 years
Infrastructure - Roads	Straight line	7 - 80 years
Infrastructure - Sewer	Straight line	5 - 50 years
Infrastructure - Water	Straight line	5 - 100 years
Infrastructure - Solid waste - Land		Infinite
Infrastructure - Solid waste - Buildings	Straight line	5 - 50 years
Land owned		Infinite
Office equipment	Straight line	5 - 22 years
Plant and equipment	Straight line	2 - 37 years
Railways	Straight line	5 - 50 years
Other assets	Straight line	5 - 22 years

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The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	x years

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.8 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

# Dihlabeng Local Municipality

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### 1.9 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

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## Accounting Policies

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### 1.9 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

# Dihlabeng Local Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.



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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payables.

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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## Accounting Policies

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### 1.10 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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## Accounting Policies

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### 1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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### 1.13 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.14 Employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

#### Long service award

A long service award is granted to municipal employees after the completion of a fixed periods of continuous service with the municipality. The said award comprises a certain number of accumulated vacation leave days and a fixed percentage of his or her basic salary applicable at the time the award become due.

The provision represents an estimate of the award to which employees in the service of the municipality at 30 June 2018 may become entitled to in future, based on actuarial valuation at that date.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42. A brief description of the nature of each class of contingent liability should be provided and where possible:

- (a) an estimate of its financial effect,
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and
- (c) the possibility of any reimbursement

### 1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.17 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.18 Revenue from non-exchange transactions (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.24 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which approval is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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## **Accounting Policies**

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### **1.26 Related parties (continued)**

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>2. Inventories</b>		
Consumable stores	676 852	734 501
Water	165 272	118 262
Fuel (Diesel, Petrol)	192 969	645 004
Water chemicals	102 972	65 812
	<b>1 138 065</b>	<b>1 563 579</b>
<b>3. Other financial assets</b>		
<b>Designated at fair value</b>		
Listed shares	325 849	292 122
4 169 shares in Sanlam @ R78.16 (2018: R70.07)		
Unlisted shares	258 178	245 370
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R15.65 (2018 : R14.90)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R13.60 (2018 : R12.90)		
Sanlam short term deposit	1 038 263	969 165
The short term deposit at Sanlam is fixed and matures at a future date.		
ABSA short term deposit	156 276	156 276
The short term deposit at ABSA is fixed and matures at a future date.		
	<b>1 778 566</b>	<b>1 662 933</b>
<b>Total other financial assets</b>	<b>1 778 566</b>	<b>1 662 933</b>
<b>Non-current assets</b>		
Designated at fair value	584 027	537 492
<b>Current assets</b>		
Designated at fair value	1 194 539	1 125 441
<b>4. Receivables from exchange transactions</b>		
Unbilled consumption to trade debtors	8 241 662	8 644 458
Pre-paid electricity from third party vendors	1 525 286	1 763 155
Sale of property debtors	790 301	708 619
	<b>10 557 249</b>	<b>11 116 232</b>
<b>5. Receivables from non-exchange transactions</b>		
Post office and petrol deposits	170 000	170 000
Other receivables from non-exchange revenue	3 055 903	2 256 680
Unpaid traffic fines	60 832 947	59 979 511
Provision for traffic fines not recoverable	(60 795 639)	(59 858 943)
	<b>3 263 211</b>	<b>2 547 248</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Trade receivables</b>		
<b>Trade receivables from non-exchange transactions:</b>		
Trade receivables from non-exchange transactions:		
Rates	155 179 764	110 618 662
Trade receivables from exchange transactions:		
Electricity	34 517 577	28 901 917
Water	264 346 406	238 503 575
Sewerage	154 802 963	137 806 576
Refuse	192 570 782	193 365 268
Rentals, advertising and sundry charges	46 310 660	46 132 783
	<b>847 728 152</b>	<b>755 328 781</b>
<b>Less: Allowance for impairment</b>		
Trade receivables from non-exchange transactions:		
Rates	(129 134 727)	(102 052 051)
Trade receivables from exchange transactions:		
Electricity	(28 724 222)	(26 663 673)
Water	(219 979 076)	(220 033 207)
Sewerage	(128 821 168)	(127 134 459)
Refuse	(160 250 118)	(178 390 533)
Rentals, advertising and sundry charges	(38 537 979)	(42 560 135)
	<b>(705 447 290)</b>	<b>(696 834 058)</b>
<b>Net balance</b>		
Trade receivables from non-exchange transactions:		
Rates	26 045 037	8 566 611
Trade receivables from exchange transactions:		
Electricity	5 793 355	2 238 244
Water	44 367 330	18 470 368
Sewerage	25 981 795	10 672 117
Refuse	32 320 664	14 974 735
Rentals, advertising and sundry charges	7 772 681	3 572 648
	<b>142 280 862</b>	<b>58 494 723</b>
Trade receivables from non-exchange transactions:		
<b>Rates</b>		
Current (0 -30 days)	7 726 000	7 556 258
31 - 60 days	4 166 972	3 467 008
61 - 90 days	3 422 975	2 847 377
91 - 120 days	3 048 220	2 527 871
121 - 365 days	49 512 455	44 218 536
> 365 days	87 303 142	50 001 612
Less: Debt impairment	(129 134 727)	(102 052 051)
	<b>26 045 037</b>	<b>8 566 611</b>
Trade receivables from exchange transactions:		
<b>Electricity</b>		
Current (0 -30 days)	11 591 669	11 983 015
31 - 60 days	2 445 360	2 435 106
61 - 90 days	2 055 836	1 142 313
91 - 120 days	1 578 108	787 576
121 - 365 days	6 399 754	3 922 857
> 365 days	10 446 850	8 631 050
Less: Debt impairment	(28 724 222)	(26 663 673)
	<b>5 793 355</b>	<b>2 238 244</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Trade receivables (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	6 908 827	7 696 349
31 - 60 days	5 193 979	5 639 045
61 - 90 days	4 848 147	5 237 590
91 - 120 days	4 757 297	5 313 055
121 - 365 days	40 474 765	33 843 655
> 365 days	202 163 390	180 773 880
Less: Debt impairment	(219 979 075)	(220 033 206)
	<b>44 367 330</b>	<b>18 470 368</b>
<b>Sewerage</b>		
Current (0 -30 days)	4 745 350	4 652 935
31 - 60 days	3 633 148	3 290 156
61 - 90 days	3 340 517	2 973 039
91 - 120 days	3 197 665	2 713 073
121 - 365 days	25 722 790	16 628 282
> 365 days	114 163 493	107 549 091
Less: Debt impairment	(128 821 168)	(127 134 459)
	<b>25 981 795</b>	<b>10 672 117</b>
<b>Refuse</b>		
Current (0 -30 days)	4 821 802	4 299 688
31 - 60 days	4 066 536	3 555 260
61 - 90 days	3 901 539	3 421 208
91 - 120 days	3 816 578	3 363 993
121 - 365 days	30 767 860	20 340 947
> 365 days	145 196 467	158 384 172
> 365 days	(160 250 118)	(178 390 533)
	<b>32 320 664</b>	<b>14 974 735</b>
<b>Rental, advertising and sundry charges</b>		
Current (0 -30 days)	886 610	851 467
31 - 60 days	635 300	480 634
61 - 90 days	557 740	538 942
91 - 120 days	472 589	448 057
121 - 365 days	4 223 758	17 240 600
> 365 days	39 534 662	26 573 082
> 365 days	(38 537 978)	(42 560 134)
	<b>7 772 681</b>	<b>3 572 648</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Trade receivables (continued)</b>		
<b>Summary of trade receivables by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	32 994 799	32 563 679
31 - 60 days	17 314 073	16 474 180
61 - 90 days	15 448 324	14 380 391
91 - 120 days	14 530 186	14 010 607
121 - 365 days	108 717 427	94 632 315
> 365 days	572 216 649	533 576 798
	<u>761 221 458</u>	<u>705 637 970</u>
Less: Allowance for impairment	(705 447 289)	(696 834 057)
	<b>55 774 169</b>	<b>8 803 913</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3 685 459	4 476 033
31 - 60 days	2 827 221	2 393 029
61 - 90 days	2 678 430	1 780 077
91 - 120 days	2 340 271	1 143 019
121 - 365 days	37 000 461	31 300 844
> 365 days	37 974 852	8 597 808
	<u>86 506 694</u>	<u>49 690 810</u>
<b>Total</b>		
Current (0 -30 days)	36 680 257	37 039 712
31 - 60 days	20 141 294	18 867 209
61 - 90 days	18 126 754	16 160 468
91 - 120 days	16 870 457	15 153 626
121 - 365 days	145 717 888	125 933 159
> 365 days	610 191 501	542 174 607
	<u>847 728 151</u>	<u>755 328 781</u>
Less: Allowance for impairment	(705 447 289)	(696 834 058)
	<b>142 280 862</b>	<b>58 494 723</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(13 870 152)	(9 744 772)
31 - 60 days	(8 156 405)	(4 891 761)
61 - 90 days	(9 425 264)	(4 336 317)
91 - 120 days	(10 810 770)	(11 341 576)
121 - 365 days	(90 968 050)	(134 606 744)
> 365 days	(572 216 649)	(531 912 888)
	<u>(705 447 290)</u>	<u>(696 834 058)</u>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	22 810 105	27 294 940
31 - 60 days	11 984 889	13 975 448
61 - 90 days	8 701 491	11 824 151
91 - 120 days	6 059 688	3 812 051
121 - 365 days	92 724 690	1 588 133
	<u>142 280 863</u>	<u>58 494 723</u>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Trade receivables (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(696 834 058)	(589 842 963)
Contributions to allowance	(8 613 232)	(106 991 095)
	<b>(705 447 290)</b>	<b>(696 834 058)</b>

### Consumer debtors impaired

As of 30 June 2019, consumer debtors of R705,447,290 (2018: R696,834,057) were impaired and provided for.

The amount of the provision was R8,613,232 as of 30 June 2019 (2018: R106,699,094).

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	200 115	174 115
Bank balances	2 688 998	1 456 128
	<b>2 889 113</b>	<b>1 630 243</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank - Cheque account (Primary) - 405-289-8966	3 614 763	3 343 466	729 461	2 714 800	1 459 452	(4 217 297)
ABSA Bank - Cheque account (Project) - 100-001-0223	(914)	5 953	2 536	(26 024)	5 953	(22 574)
ABSA Bank - Cheque account - 40-8862-1820	222	50	3	222	50	-
<b>Total</b>	<b>3 614 071</b>	<b>3 349 469</b>	<b>732 000</b>	<b>2 688 998</b>	<b>1 465 455</b>	<b>(4 239 871)</b>

### 8. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	4 148 275	-	4 148 275	3 231 570	-	3 231 570

### Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	3 231 570	916 705	4 148 275

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 8. Biological assets that form part of an agricultural activity (continued)

#### Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	2 932 610	298 960	3 231 570

#### Non-financial information

##### Quantities of each biological asset

Game stock	1 970	1 550
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A stock count was performed by the Community Services department in June 2019. The Department of Economic, Small Business development, tourist and environmental affairs of the Free State (DESTEA) assisted the municipality in the management of the Wohuterskop Private Nature Reserve by giving a report indicating which animals should be removed and / culled during the next financial year.

### 9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	660 157 824	-	660 157 824	660 157 824	-	660 157 824

#### Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	660 157 824	660 157 824

#### Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	660 157 824	660 157 824

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Dihlabeng Local Municipality

## Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment

	2019		2018			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets - Buildings	235 688 904	(110 916 638)	124 772 266	232 297 898	(67 199 625)	165 098 273
Furniture and fittings	5 137 013	(3 586 815)	1 550 198	4 927 885	(3 803 943)	1 123 942
Infrastructure - Electrical	222 160 274	(109 008 816)	113 151 458	206 568 517	(100 685 106)	105 883 411
Infrastructure - Roads	978 594 004	(585 165 348)	393 428 656	973 297 100	(482 807 852)	490 489 248
Infrastructure - Sewer	515 172 492	(249 933 707)	265 238 785	496 318 272	(184 602 078)	311 716 194
Infrastructure - Solid waste	18 465 936	(9 607 497)	8 858 439	18 465 936	(7 658 137)	10 807 799
Infrastructure - Storm water	125 099 657	(64 615 561)	60 484 096	117 520 518	(47 808 986)	69 711 532
Infrastructure - Water	634 954 229	(190 588 525)	444 365 704	617 919 191	(170 691 175)	447 228 016
Land - owned	213 557 384	-	213 557 384	213 557 383	-	213 557 383
Motor vehicles	15 226 078	(10 013 805)	5 212 273	14 921 921	(9 718 726)	5 203 195
Office equipment	14 460 952	(10 289 676)	4 171 276	12 277 152	(9 304 773)	2 972 379
Operational buildings	68 990 674	(34 255 133)	34 735 541	68 557 334	(30 541 298)	38 016 036
Other assets	997 351	(834 838)	162 513	1 540 934	(1 322 999)	217 935
Plant and equipment	16 148 869	(11 569 401)	4 579 468	15 981 663	(12 264 346)	3 717 317
Railways	48 921 029	(29 971 681)	18 949 348	48 921 029	(27 170 824)	21 750 205
<b>Total</b>	<b>3 113 574 846</b>	<b>(1 420 357 441)</b>	<b>1 693 217 405</b>	<b>3 043 072 733</b>	<b>(1 155 579 868)</b>	<b>1 887 492 865</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Movements in work in progress	Depreciation	Impairment loss	Total
Community assets - Buildings	165 098 273	2 410 430	980 576	(8 651 518)	(35 065 495)	124 772 266
Furniture and fixtures	1 123 942	209 128	-	217 128	-	1 550 198
Infrastructure - Electrical	105 883 411	124 015	15 467 742	(5 512 974)	(2 810 736)	113 151 458
Infrastructure - Roads	490 489 248	19 822 540	(14 525 636)	(34 364 771)	(67 992 725)	393 428 656
Infrastructure - Sewer	311 716 194	5 102 609	13 751 611	(12 146 025)	(53 185 604)	265 238 785
Infrastructure - Solid waste	10 807 799	-	-	(612 735)	(1 336 625)	8 858 439
Infrastructure - Storm water	69 711 532	6 586 863	992 275	(2 146 702)	(14 659 872)	60 484 096
Infrastructure - Water	447 228 016	-	17 035 038	(15 664 607)	(4 232 743)	444 365 704
Land - owned	213 557 384	-	-	-	-	213 557 384
Motor vehicles	5 203 195	304 158	-	(295 080)	-	5 212 273
Office equipment	2 972 379	2 183 800	-	(984 903)	-	4 171 276
Operational Buildings	38 016 035	-	433 340	(1 272 253)	(2 441 581)	34 735 541
Other assets	217 935	-	-	(55 422)	-	162 513
Plant and equipment	3 717 317	167 206	-	694 945	-	4 579 468
Railways	21 750 205	-	-	(2 800 857)	-	18 949 348
	<b>1 887 492 865</b>	<b>36 910 749</b>	<b>34 134 946</b>	<b>(83 595 774)</b>	<b>(181 725 381)</b>	<b>1 693 217 405</b>



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Other transfers	Movements in work in progress	Depreciation	Total
Bins and containers	224 256	-	-	(224 256)	-	-	-
Community assets - Buildings	164 560 669	12 795 157	-	-	(4 241 175)	(8 016 378)	165 098 273
Emergency equipment	86 137	-	-	(86 137)	-	-	-
Furniture and fixtures	958 452	579 258	-	-	-	(413 768)	1 123 942
Infrastructure - Electrical	128 410 012	1 075 124	-	-	7 524 668	(31 126 393)	105 883 411
Infrastructure - Roads	508 246 335	11 057 779	-	-	10 301 220	(39 116 086)	490 489 248
Infrastructure - Sewer	330 393 977	-	-	-	-	(18 677 783)	311 716 194
Infrastructure - Solid waste	11 535 990	-	-	-	-	(728 191)	10 807 799
Infrastructure - Storm water	72 285 645	-	-	-	-	(2 574 113)	69 711 532
Infrastructure - Water	452 659 350	15 159 267	-	-	-	(20 590 601)	447 228 016
Land - owned	261 368 882	-	(47 811 499)	-	-	-	213 557 383
Motor vehicles	3 375 657	2 753 045	(39 720)	-	-	(885 787)	5 203 195
Office equipment	3 064 566	1 018 737	(37 267)	-	-	(1 073 657)	2 972 379
Operational Buildings	40 701 557	74 852	-	-	-	(2 760 373)	38 016 036
Other assets	-	-	-	310 393	-	(92 458)	217 935
Plant and equipment	4 277 354	507 481	-	2	-	(1 067 520)	3 717 317
Railways	24 465 464	-	-	-	-	(2 715 259)	21 750 205
Security equipment	2	-	-	(2)	-	-	-
	<b>2 006 614 305</b>	<b>45 020 700</b>	<b>(47 888 486)</b>	<b>-</b>	<b>13 584 713</b>	<b>(129 838 367)</b>	<b>1 887 492 865</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 10. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	35 065 507	513 043	35 578 550
Additions/capital expenditure	32 672 463	1 897 386	34 569 849
Transferred to completed items	(31 636 026)	(2 410 429)	(34 046 455)
	<b>36 101 944</b>	<b>-</b>	<b>36 101 944</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	17 239 618	4 754 218	21 993 836
Additions/capital expenditure	46 185 700	7 560 891	53 746 591
Transferred to completed items	(28 359 811)	(11 802 066)	(40 161 877)
	<b>35 065 507</b>	<b>513 043</b>	<b>35 578 550</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 129 511	(2 977 334)	1 152 177	4 129 511	(2 443 382)	1 686 129

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	1 686 129	(533 952)	1 152 177

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	2 343 924	(657 795)	1 686 129

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 12. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	46 260 000	-	46 260 000	46 260 000	-	46 260 000

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	46 260 000	46 260 000

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	46 260 000	46 260 000

#### Valuation of heritage assets

Revaluations were performed by an independent valuator, Mr Athur Lelosa, who holds a recognised en relevant qualification, during 2015. A certificate to this extent was received from the above-mentioned valuator.

The municipality had assessed the heritage assets at year-end and confirms that there was no need for these assets to be impaired at the end of the financial period:

#### Heritage assets used for more than one purpose

The following heritage assets are used by the entity for more than one purpose:

- Erf 172 in President Boshoff street in Bethlehem is used as offices for the Traffic department
- Erf 318 in Market street in Clarens is used as municipal offices

### 13. Other financial liabilities

#### At amortised cost

Development Bank of Southern Africa (DBSA)	33 725 003	37 906 652
Interest will be charged at 10% per year. The loan is repayable in monthly instalments of R621,615 over a period of 6 years.		

#### Non-current liabilities

At amortised cost	29 097 963	33 364 079
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#### Current liabilities

At amortised cost	4 627 040	4 542 573
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# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Payables from exchange transactions</b>		
Trade payables	416 950 191	326 822 281
Trade receivables with credit balances	5 143 544	6 569 710
Deposit on land sales	5 120 725	5 120 725
Deposits received	299 832	288 959
Sundry creditors	2 975 662	10 326 161
Salary related creditors	18 861 304	13 819 791
Accrued bonus	6 074 310	5 538 154
Accrued leave	25 355 306	20 931 639
Retention on projects	4 582 413	4 318 416
	<b>485 363 287</b>	<b>393 735 836</b>
<b>15. VAT receivable</b>		
VAT accrued on accounts receivable	8 187 939	2 606 739
VAT accrued on accounts payable	(33 395 180)	(27 661 449)
VAT payable to / (refundable by) SARS	13 379 593	4 851 495
	<b>(11 827 648)</b>	<b>(20 203 215)</b>
<b>16. Consumer deposits</b>		
Water and electricity	8 733 153	7 353 166
Sundry	-	27 758
	<b>8 733 153</b>	<b>7 380 924</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 17. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	6 791 554	304 191	7 095 745

#### Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	6 314 235	477 319	6 791 554

#### Environmental rehabilitation provision

##### Bethlehem Dumping Site:

The new dumping site in Bethlehem became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 6 200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years, but due to the decrease in the amount of waste (due to recycling) the lifespan will increase to 23 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 2 985 100 cubic metre waste that will fill an area of 115 600 square metres x 18 metres high over a lifespan of 23 years
- an average disposal tempo of 200 cubic metres per day over the 23 years (2018 : 20 year) lifespan was used for costing calculations
- an annual inflationary increase of 4.3% (2018: 4.9%) was used for the projected cost

##### Mashaeng Dumping Site:

The site was developed in 1992 with a lifespan of approximately 30 years. On a monthly basis the site is filled with approximately 210 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by EnviroMatrix and based on the assessment, the provision for the rehabilitation and the closure of the landfill site will have an estimated life span of 3 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 55 270 cubic metre waste that will fill the area within the remaining life span of 3 years
- an average disposal tempo of 7 cubic metres per day over the 3 years lifespan was used for costing calculations
- an annual inflationary increase of 4.3% (2018: 4.9%) was used for the projected cost

#### General:

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

An assessment was done on 20 August 2019 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping site in accordance with its licence agreement.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 18. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(22 000 000)	(21 981 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(21 981 000)	(18 884 000)
Benefits paid	2 264 000	2 185 000
Net expense recognised in the statement of financial performance	(2 283 000)	(5 282 000)
	<b>(22 000 000)</b>	<b>(21 981 000)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	-	(79 000)
Past service cost	(2 007 000)	(1 806 000)
Actuarial (gains) losses	(276 000)	(3 397 000)
	<b>(2 283 000)</b>	<b>(5 282 000)</b>

#### Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as per age on 30 June 2019.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:

- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service.
- the medical contribution subsidies arising in respect of adult dependents of employees.
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation.
- discounting these cashflows in order to express the PRMA liability in current Rand terms.

**Discount rate used:** GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

**CPI used** (Consumer Price Inflation): Difference between nominal and yield curves.

**Medical Aid Contribution Inflation:** CPI + 1%

**Net effective discount rate:** Yield curve based.

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### 18. Employee benefit obligations (continued)

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators no the actuaries.

The municipality is under no obligation to cover any unfunded benefits.

### 19. Long service leave award

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(15 509 000)	(13 691 000)
Benefits paid	1 287 000	1 129 000
Net expense recognised in the statement of financial performance	(3 724 000)	(2 947 000)
	<b>(17 946 000)</b>	<b>(15 509 000)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	(1 717 000)	(1 502 000)
Interest cost	(1 518 000)	(1 356 000)
Actuarial (gains) losses	(489 000)	(89 000)
	<b>(3 724 000)</b>	<b>(2 947 000)</b>

#### Key assumptions used

The long service leave liability is valued on a generally accepted actuarial valuation method. Ages and gender information as at 30 June 2019 were used.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The actuarial valuation of the Long service leave liability involves the following:

- long service benefits are awarded in the form of leave days and a percentage of salary.
- the calculated award values are then discounted at the assumed discount interest rate to the date of the calculation.
- mortality, retirements and withdrawals from service are also taken into account.
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable.
- the current policy for awarding long service awards remains unchanged in the future.

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<b>20. Revenue</b>		
Rendering of services	1 549 638	1 519 625
Service charges	354 355 525	335 342 577
Rental of facilities and equipment	5 062 736	4 734 142
Interest received (trading)	55 873 791	48 616 972
Licences and permits	152 674	55 639
Other income	14 121 375	2 917 946
Interest received - investment	51 288	293 483
Dividends received	9 900	8 485
Property rates	146 335 678	140 553 140
Government grants and subsidies	220 288 765	191 693 517
Fines and penalties	1 098 302	230 440
	<b>798 899 672</b>	<b>725 965 966</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	354 355 525	335 342 577
Rendering of services	1 549 638	1 519 625
Rental of facilities and equipment	5 062 736	4 734 142
Interest received (trading)	55 873 791	48 616 972
Licences and permits	152 674	55 639
Other income	14 121 375	2 917 946
Interest received - investment	51 288	293 483
Dividends received	9 900	8 485
	<b>431 176 927</b>	<b>393 488 869</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	146 335 678	140 553 140
<b>Transfer revenue</b>		
Government grants and subsidies	220 288 765	191 693 517
Fines and penalties	1 098 302	230 440
	<b>367 722 745</b>	<b>332 477 097</b>
<b>21. Service charges</b>		
Sale of electricity	189 691 245	182 128 365
Sale of water	69 403 152	65 230 451
Sewerage and sanitation charges	48 725 127	47 492 049
Refuse removal	46 536 001	40 491 712
	<b>354 355 525</b>	<b>335 342 577</b>
<b>22. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	4 633 250	4 298 404
<b>Facilities and equipment</b>		
Rental of equipment	429 486	435 738
	<b>5 062 736</b>	<b>4 734 142</b>



# Dihlabeng Local Municipality

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Figures in Rand	2019	2018
<b>23. Other income</b>		
Building plan fees	510 720	518 898
Clearance certificates	529 746	286 940
Encroachment charges	1 152 114	1 097 625
Escorting of abnormal freights	199 258	162 331
Insurance claim received	84 354	(28 781)
Awards received	250 000	-
Donations received	-	290 900
Tender documents photocopies and faxes	387 755	90 585
Skills development levies received	2 372 195	154 243
Sundry income	8 635 233	345 205
	<b>14 121 375</b>	<b>2 917 946</b>
<b>24. Investment revenue</b>		
<b>Dividend revenue</b>		
Investments	9 900	8 485
<b>Interest revenue</b>		
Bank	(30 394)	218 196
Investment	81 682	75 287
	<b>51 288</b>	<b>293 483</b>
	<b>61 188</b>	<b>301 968</b>

# Dihlabeng Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	46 695 617	44 320 214
Commercial	53 554 795	52 398 087
State	41 644 217	39 057 775
Small holdings and farms	4 441 049	4 777 064
	<b>146 335 678</b>	<b>140 553 140</b>

### Valuations

Values per valuation roll	R '000	R '000
Residential	7 134 686	7 053 788
Commercial	2 173 255	2 177 620
Government	1 748 034	1 744 953
Municipal	752 795	757 046
Small holdings and farms	3 748 060	3 901 570
	<b>15 556 830</b>	<b>15 634 977</b>

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0083 (2018: R0.008034) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R40,000 (2018: R40,000) are granted to residential properties and a further 25% (2018: 25%) rebate to pensioners.

A general rate of R0.0249 (2018: R0.024102) is applied to business, industrial, commercial and public service infrastructure property valuations to determine assessment rates. Rebates of 80% (2018: 75%) are granted to public service infrastructure only.

A general rate of R0.0083 (2018: R0.008034) is applied to farm property valuations to determine assessment rates. Rebates of 85% (2018: 85%) are granted to farmers and 75% (2018: 75%) for small holdings. The rebates granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act no 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date for payment being 7 August 2019. Rates for all other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2018: prime plus 1%) is levied on rates outstanding after the due date.

The new general valuation will be implemented on 01 July 2021.

# Dihlabeng Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	147 861 000	129 764 000
Expanded Public Works Programme Grant	1 000 000	1 000 000
Financial Management Grant	1 770 000	1 700 000
Library Grant	2 750 000	2 500 000
	<b>153 381 000</b>	<b>134 964 000</b>
<b>Capital grants</b>		
Municipal infrastructure grant (MIG)	37 914 000	39 281 000
Department of Water affairs grant (DWAf)	2 443 765	2 448 517
Water service infrastructure grant	16 550 000	15 000 000
National Development Electrification Grant	10 000 000	-
	<b>66 907 765</b>	<b>56 729 517</b>
	<b>220 288 765</b>	<b>191 693 517</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	72 427 765	61 929 517
Unconditional grants received	147 861 000	129 764 000
	<b>220 288 765</b>	<b>191 693 517</b>
<b>Equitable Share</b>		
Current-year receipts	147 861 000	129 764 000
Conditions met - transferred to revenue	(147 861 000)	(129 764 000)
	-	-
The equitable share allocation was fully utilised during the financial year.		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	37 914 000	39 281 000
Conditions met - transferred to revenue	(37 914 000)	(39 281 000)
	-	-
This grant was fully utilised for the upgrading of sports facilities, sanitation (upgrading of waste water treatment works) and the construction of roads during the year.		
<b>Financial Management Grant</b>		
Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 770 000)	(1 700 000)
	-	-

The municipal management grant was fully utilised during the financial year.

# Dihlabeng Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 26. Government grants and subsidies (continued)

#### Expanded Public Works Programme Grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

The expanded public works programme grant was fully utilised during the financial year.

#### Department of Water Affairs Grant (DWAF)

Current-year receipts	2 443 765	2 448 517
Conditions met - transferred to revenue	(2 443 765)	(2 448 517)
	-	-

This grant was utilised during the year for the upgrading of the water infrastructure network to Paul Roux and Rosendal.

#### Water Services Infrastructure Grant

Current-year receipts	16 550 000	15 000 000
Conditions met - transferred to revenue	(16 550 000)	(15 000 000)
	-	-

The water service infrastructure grant was fully utilised during the financial year for the upgrading of reservoirs in Clarens and Bohlokong.

#### Library Grant

Current-year receipts	2 750 000	2 500 000
Conditions met - transferred to revenue	(2 750 000)	(2 500 000)
	-	-

The library grant was fully utilised during the financial year.

#### National Development Electrification Grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
	-	-

This grant was fully utilized during the year under review.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2018) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

# Dihlabeng Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Employee costs</b>		
Basic	166 720 167	146 003 272
Bonus	12 871 059	11 552 397
Medical aid - company contributions	21 113 175	18 934 754
UIF company contributions	1 516 255	1 422 101
SDL	2 367 579	2 094 641
Other payroll levies	86 643	78 416
Leave pay provision charge	5 200 372	3 904 725
Defined contribution plans	4 256 037	3 816 777
Overtime payments	11 115 842	6 049 845
Long-service awards	297 163	558 267
Standby allowances	6 699 649	4 645 147
Acting allowances	3 729 316	4 246 743
Car allowance	5 923 206	5 275 497
Housing benefits and allowances	1 801 707	523 507
Group life insurance	728 653	273 300
Pensionfund contributions	26 978 690	24 392 999
Other allowances	534 478	423 444
Telephone allowances	359 900	332 400
	<b>272 299 891</b>	<b>234 528 232</b>

### Remuneration of municipal manager

Annual Remuneration	1 139 539	1 029 972
Car Allowance	380 441	380 441
Leave paid out	85 219	231 318
Contributions to UIF, Medical and Pension Funds	1 785	1 969
Cellphone allowance	18 000	18 000
	<b>1 624 984</b>	<b>1 661 700</b>

### Remuneration of chief finance officer

Annual Remuneration	915 939	854 077
Car Allowance	305 908	285 287
Leave paid out	73 418	69 656
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Cellphone allowance	12 000	12 000
	<b>1 309 050</b>	<b>1 222 805</b>

### Remuneration of director technical

Annual Remuneration	915 939	651 691
Car Allowance	305 908	217 676
Leave paid out	73 418	-
Contributions to UIF, Medical and Pension Funds	1 785	1 338
Cellphone allowance	12 000	9 000
Acting allowance	-	25 979
	<b>1 309 050</b>	<b>905 684</b>

Mr NE Shabalala from 1 October 2017 to 30 June 2019.

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## Notes to the Annual Financial Statements

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### 27. Employee costs (continued)

#### Remuneration of director corporate services

Annual Remuneration	915 939	506 871
Car Allowance	305 908	169 304
Contributions to UIF, Medical and Pension Funds	1 785	892
Cellphone allowance	12 000	7 000
Leave paid out	48 945	27 862
Acting allowance	14 311	-
	<b>1 298 888</b>	<b>711 929</b>

Me MS Mabula from 1 December 2017 to 30 June 2019.

#### Remuneration of director community services

Annual Remuneration	915 939	651 691
Car Allowance	305 908	217 676
Leave paid out	48 945	37 150
Contributions to UIF, Medical and Pension Funds	1 785	1 338
Cellphone allowance	12 000	9 000
	<b>1 284 577</b>	<b>916 855</b>

Mrs MAB Mosima from 1 October 2017 to 30 June 2019.

#### Remuneration director of local economic development

Annual Remuneration	915 939	144 820
Car Allowance	305 908	48 373
Leave paid out	58 734	-
Contributions to UIF, Medical and Pension Funds	1 785	297
Cellphone allowance	12 000	2 000
	<b>1 294 366</b>	<b>195 490</b>

Mr NP Mondi from 1 May 2018 to 30 June 2019.

# Dihlabeng Local Municipality

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### 28. Remuneration of councillors

2019	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	859 471	-	40 800	900 271
Speaker	687 575	-	40 800	728 375
Chairman Public Accounts committee	274 106	68 527	40 800	383 433
Chairman Policy committee	342 633	-	40 800	383 433
Mayoral executive committee	3 953 565	558 656	285 600	4 797 821
Councillors	7 650 883	883 968	1 129 918	9 664 769
	<b>13 768 233</b>	<b>1 511 151</b>	<b>1 578 718</b>	<b>16 858 102</b>

2018	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	826 414	-	40 800	867 214
Speaker	661 129	-	40 800	701 929
Mayoral executive committee	3 922 709	497 896	297 171	4 717 776
Councillors	8 050 277	793 305	1 199 165	10 042 747
	<b>13 460 529</b>	<b>1 291 201</b>	<b>1 577 936</b>	<b>16 329 666</b>

### In-kind benefits

The Mayor, Speaker, Chief whip, Chairpersons of committees and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

### 29. Depreciation, impairment and amortisation

Intangible assets	533 952	657 794
Property, plant and equipment	265 321 154	129 834 262
	<b>265 855 106</b>	<b>130 492 056</b>

### 30. Finance costs

Penalties and Interest on late payment of VAT	2 055 857	(208 966)
Other interest paid	14 648 931	21 942 293
	<b>16 704 788</b>	<b>21 733 327</b>

### 31. Debt impairment

Contributions to debt impairment on consumer debtors and exchange debtors	41 262 352	64 609 487
Contributions to debt impairment on non-exchange debtors	41 517 335	34 974 118
Bad debts written off	20 276 597	54 590 809
	<b>103 056 284</b>	<b>154 174 414</b>

### 32. Bulk purchases

Electricity - Eskom	158 578 233	140 432 079
Water	1 121 125	2 082 657
	<b>159 699 358</b>	<b>142 514 736</b>

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<b>33. Contracted services</b>		
Meter reading and electricity disconnection services	6 552 127	5 942 282
<b>34. General expenses</b>		
Advertising	785 404	783 615
Artists and performers	846 912	1 063 615
Audio-visual and sound services	1 414 659	3 153 746
Auditors remuneration	7 379 146	6 508 575
Bank charges	1 526 347	1 609 144
Bursaries	2 240 736	2 549 790
Catering services	5 004 513	5 477 123
Chemicals	2 774 450	1 583 499
Commission paid	2 981 719	3 730 784
Consultation and professional fees	16 173 309	14 463 674
Consumables	7 341 419	4 124 426
Donations	3 659 171	1 967 249
Entertainment	44 030	656 635
Fines and penalties	-	283
Fuel and oil	7 848 438	6 160 938
Insurance	1 856 099	5 610 543
Lease expenditure	-	1 570 662
License fees	571 637	510 696
Management of landfill site	6 955 855	6 182 333
Property lease payment	591 368	-
Pauper burials	174 422	93 672
Postage and courier	4 082 782	1 757 354
Printing and stationary	1 742 060	2 470 235
Promotions and marketing	2 284 951	1 041 182
Rental of equipment	30 132 194	16 814 975
Security (Guarding of municipal property)	25 423 719	21 936 923
Sitting allowances	81 454	23 000
Staff training	32 550	-
Subscriptions and membership fees	2 965 146	1 628 526
Telephone and fax	1 532 079	1 845 411
Transport costs	4 966 230	5 544 982
Travel - local	2 489 580	3 720 861
Travel - overseas	51 736	7 838
Uniforms	2 064 292	4 675 353
Valuation costs	1 745 300	1 975 544
	<b>149 763 707</b>	<b>131 243 186</b>
<b>35. Fair value adjustments</b>		
Other financial assets / liabilities		
• Investments	115 827	114 019
<b>36. Auditors' remuneration</b>		
Fees	7 379 146	6 508 575



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## Notes to the Annual Financial Statements

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### 37. Operating lease income

#### Projected income from operating lease agreements

- Within one year	642 885	531 174
- In second to fifth year (inclusive)	1 407 594	1 961 250
	<b>2 050 479</b>	<b>2 492 424</b>

Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter the contract is done on a month to month basis. All the house and flat contracts got a month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contacts for business premises (7) rental are signed for a periods from 3 year to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.

### 38. Cash generated from operations

Deficit	(208 655 962)	(178 310 497)
<b>Adjustments for:</b>		
Depreciation and amortisation	265 855 106	130 492 056
(Loss) / Profit on sale of assets and liabilities	(1 925 848)	46 889 975
Gain (loss) on game stock	(916 705)	(298 960)
Actuarial loss / (gain)	765 000	3 486 000
Fair value adjustments on investments	(115 827)	(114 019)
Debt impairment	102 119 588	154 174 414
<b>Changes in working capital:</b>		
Inventories	425 514	75 817
Receivables from exchange transactions	558 983	6 841 802
Consumer debtors	(184 969 030)	(153 635 758)
Other receivables from non-exchange transactions	(799 223)	(2 213 825)
Payables from exchange transactions	92 465 207	62 263 683
VAT	8 375 567	(5 727 053)
Provisions	1 352 229	728 640
Provisions	304 191	477 319
	<b>74 838 790</b>	<b>65 129 594</b>

# Dihlabeng Local Municipality

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### 39. Financial instruments

#### Categories of financial instruments

#### 2019

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1 778 566	-	-	1 778 566
Trade and other receivables from exchange transactions	-	10 557 249	-	10 557 249
Other receivables from non-exchange transactions	-	3 176 471	170 000	3 346 471
Consumer debtors	-	142 279 862	-	142 279 862
Cash and cash equivalents	-	2 889 113	-	2 889 113
	<b>1 778 566</b>	<b>158 902 695</b>	<b>170 000</b>	<b>160 851 261</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	33 725 003	33 725 003
Trade and other payables from exchange transactions	481 170 532	481 170 532
Consumer deposits	8 733 153	8 733 153
Finance lease liability	1 409 716	1 409 716
	<b>525 038 404</b>	<b>525 038 404</b>

#### 2018

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1 662 933	-	-	1 662 933
Trade and other receivables from exchange transactions	-	11 116 232	-	11 116 232
Other receivables from non-exchange transactions	-	2 377 248	170 000	2 547 248
Consumer debtors	-	58 494 724	-	58 494 724
Cash and cash equivalents	-	1 630 244	-	1 630 244
	<b>1 662 933</b>	<b>73 618 448</b>	<b>170 000</b>	<b>75 451 381</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	37 906 652	37 906 652
Trade and other payables from exchange transactions	393 735 836	393 735 836
Consumer deposits	7 380 924	7 380 924
Financial lease obligation	1 688 141	1 688 141
	<b>440 711 553</b>	<b>440 711 553</b>

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### 40. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	33 725 003	4 645 316	4 726 956	17 331 573	7 021 158
Trade and other payables	481 170 532	481 170 532	-	-	-
Finance lease liability	1 409 716	307 503	341 313	760 900	-
At 30 June 2018	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	37 906 652	4 562 719	4 273 960	15 704 268	13 365 705
Trade and other payables	393 735 836	393 735 836	-	-	-
Finance lease liability	1 688 141	278 534	308 116	1 101 491	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from consumer debtors. Consumer debtors are levied at variable rates expose the municipality to cash flow interest rate risk. The interest rate is linked to the prime interest rate and the risk is not considered to be material at this stage. Long term borrowings was done at a fixed rate and interest rate risk will not impact the financial position of the municipality.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 40. Risk management (continued)

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality's investments in equity of other entities that are publicly traded on the JSE, but does not have a material effect on the municipality's income.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>41. Commitments</b>		
<b>Authorised capital and operational expenditure</b>		
<b>Capital expenditure</b>		
• Property, plant and equipment	35 862 544	10 961 654
<b>Operational expenditure</b>		
• Land audit and asset registers	2 196 031	-
• Town planning	-	199 745
• Landfill site management	-	8 621 004
	<b>2 196 031</b>	<b>8 820 749</b>
<b>Total capital commitments</b>		
Capital expenditure	35 862 544	10 961 654
Operational expenditure	2 196 031	8 820 749
	<b>38 058 575</b>	<b>19 782 403</b>

This committed expenditure of the following cannot be determined due to the variable nature of the contract:

Project Description:	Walking Tall Trading and Projects - Events management services	
Project Value:	As per pricing schedule	
Expenditure to date:	R5,308,290 (2019)	R7 652 732 (2018)
Project Description:	Marwin Marketing - Supply and delivery of chemicals for water purification	
Project Value:	As per pricing schedule	
Expenditure to date:	R1,508,720 (2019)	R1 607 642 (2018)
Project Description:	Configen CC - Appointment of Service Provider for Provision of Physical Security Services	
Project Value:	As per pricing schedule	
Expenditure to date:	R29,189,846 (2019)	R24 649 591 (2018)
Project Description:	EMTP Trading - Supply and Installation of a Performance Management Electronic System	
Project Value:	As per pricing schedule	
Expenditure to date:	R390,881 (2019)	R610 016 (2018)
Project Description:	Manna Holdings-Appointment of professional valuer for compilation and maintenance of the valuation roll and supplementary valuation roll	
Project Value:	As per pricing schedule	
Expenditure to date:	R2,007,095 (2019)	R2 208 855 (2018)
Project Description:	Aqua Transport & Plant Hire (Pty) Ltd / Ethos Transport / Midmar Plant Hire / Oos Vrystaat / Premier Attraction - Appointment of water tankers	
Project Value:	As per pricing schedule	
Expenditure to date:	R2,824,901 (2019)	R- (2018)

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 41. Commitments (continued)

Project Description: Carboncor Distributor / Supper Patch / Wide in Tide -Supply & delivery of 25kg bags of cold mix asphalt on an as and when required basis for a period of 3 years

Project Value: As per pricing schedule

Expenditure to date: R2,990,709 (2019) R- (2018)

Project Description: Amaphiko Ejuba Transport Enterprises, Aqua Transport & Plant Hire, Midmaar Plant Hire, Oos Vrystaat & Premier Attraction, Ekene Investment - Hire of Plant & Equipment on an as and when required Basis for a period of 3 years

Project Value: As per pricing schedule

Expenditure to date: R11,157,495 (2019) R- (2018)

Project Description: Kunene & Makopo Risk Solution - Short term Insurance for a period of three (3) years

Project Value: As per pricing schedule

Expenditure to date: R1,946,822 (2019) R- (2018)

Project Description: Aquatico Laboratories - rendering of Laboratory Service for the analysis of water & wastewater samples for a period of three (3) years

Project Value: As per pricing schedule

Expenditure to date: R- (2019) R- (2018)

Project Description: Appconverge & Pontmas Trading - Supply & delivery of Computers for a period of three (3) years

Project Value: As per pricing schedule

Expenditure to date: R1,281,318 (2019) R- (2018)

Project Description: Maluti Chartered Accountants - Compilation of Annual Financial Statement for a period of 3 years

Project Value: As per pricing schedule

Expenditure to date: R- (2019) R- (2018)

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Contingent liabilities</b>		
<b>The following civil cases are currently being finalised:</b>		
Telkom Limited SA:	141 514	141 514
This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 514. Telkom claim that a sewerage spillage damaged their equipment. Possible liability of R141 514.		
Udumo Trading 147 CC:	3 700 000	3 700 000
This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Udumo Trading lodged against the Dihlabeng Local Municipality for R3 700 000. Udumo claim that they completed a reservoir in Clarens and was not fully paid. Possible liability of R3 700 000.		
Wage curve agreements:	-	-
Dihlabeng has not been task graded as yet and therefore the new T scales cannot be implemented. No job grade evaluations has been done either for the posts at DLM. Since this information is not available yet, no financial implications can be established. Only after the job evaluations has been accepted and approved by all the applicable parties a financial implication can be calculated.		
Damcivils (Pty) Ltd:	31 925 142	31 925 142
This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment for services rendered by Damcivils for the roads and stormwater project in Bakenpark ext 5. Possible liability of R31 925 142.		
MP Mofokeng and NE Chitja:	600 000	600 000
This case is handled by Niemann Grobbelaar Attorneys and is regarding a child that well in an open manhole and died. Possible liability of R600,000.		
Telkom SA Soc Ltd and Icon Construction (Pty) Ltd:	211 669	211 669
This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the total amount of R211 669. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged at or near Stands 36, 60, 102 and 145, Fateng tse Ntsho, Paul Roux. Possible liability of R211,669.		
GA and N Schoombie:	43 196	43 196
This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim for water damages after a municipal pump bust into their house. Possible liability of R43 196.		
Rudnat Projects CC:	4 856 544	4 856 544
This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment from the water services infrastructure grant. Possible liability of R4 856 544.		
Emendo Inc: Development Agreement: Bakenpark Extensions 5, 6 & 7:	-	-
This case is handled by Niemann Grobbelaar Attorneys and is regarding the lodging of a High Court Application regarding the appointment of Emendo Inc to nullify the agreement of the land availability and development agreement for Bakenpark Extensions 5, 6 & 7.		
Ke a Dira Construction:	7 961 411	-
This case is handled by Niemann Grobbelaar Attorneys and is regarding the appointment of another service provider for the construction of 1,8 km block paved roads and storm water drains in Bohlokong, Bethlehem. Possible liability not yet established.		
MVD Xariep Raadgewende Ingeneurs CC:	106 018	106 018
This case is handled by Niemann Grobbelaar Inc and is regarding an outstanding payment for professional services rendered to the municipality. Possible liability of R106 018.		
Telkom SA Soc Ltd and Mapitsi Civil Works CC:	25 486	25 486
This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R25 486. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged at or near Stand 400, Fateng tse Ntsho, Paul Roux. Possible liability of R25 486.		

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Contingent liabilities (continued)</b>		
MS Sithole / Donald Ndwandwe: This is regarding an eviction matter. The amount of R83 543 is claimed from the municipality for losses and/or from the employee who were responsible for the eviction. The case is handled by Niemann Grobbelaar and were paid during the year under review.	-	83 543
TJ Ramakatan: This case is regarding the outstanding amount for buying another portion of the farm. The case is handled by Niemann Grobbelaar Possible liability of R900 000.	900 000	900 000
Hexing Electrical SA (Pty) Ltd: This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim against the municipality for cancellation of a contract to install electrical meters around Dihlabeng.	99 508 065	-
Sonja KC This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim for back-pay from 3 July 2008 till 5 March 2015.	390 000	-
HT Pelatona Projects (Pty) Ltd: This case is handled Niemann Grobbelaar and is regarding outstanding payments for services rendered regarding the upgrading of the Clarens Waterworks.	612 000	-
Waco Africa (Pty) Ltd t/a Sanitech: This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim for outstanding payments for the hire of portable toilets.	1 542 000	-
Cybko Security Services CC: This case is handled by Niemann Grobbelaar Attorneys and is regarding the awarding of a tender to Zero Tolerance Security for the provision of physical security services for a period of three years. This case was resolved during the year and no payments were made.	-	-
	<b>152 523 045</b>	<b>42 593 112</b>

### 43. Related parties

#### Relationships

Members of key management  
Councillors

All Section 57 managers  
All municipal councillors

The municipality also provides municipal services to the Councillors and Section 57 managers. These services are provided at normal terms and conditions. This does not represent a significant part of the income of the municipality.

#### Related party balances

##### Amounts included in Trade receivable regarding related parties

Councillors in arrears (refer to Note 53)	315 647	378 448
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#### Related party transactions

##### Remuneration paid to related parties

Section 57 Managers (refer to Note 29)	8 195 821	5 614 463
Councillors (refer to Note 30)	16 858 102	16 329 665



# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 44. Prior period errors

A full land audit were done during the year and all the related asset register were updated and corrected.

Immovable and infrastructure assets were verified and the related asset registers were updated and corrected.

Property classification were corrected between Land owned and investment property.

Suspense accounts with no movements were written off.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	2018	2017
Property, plant and equipment	107 143 115	160 787 148
Investment property	607 331 424	607 331 424
Payables from exchange transactions	1 347 294	1 347 294
Opening Accumulated Surplus or Deficit	(769 465 866)	(769 465 866)
<b>Statement of Financial Performance</b>		
Depreciation expense	23 986 647	-
Loss on disposal of assets and liabilities	30 876 499	-
Repairs and maintenance	(1 219 113)	-

### 45. Comparative figures

The effects of the reclassification are as follows:

#### Statement of financial position - extract

#### Statement of financial performance - extract

### 46. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had incurred a net loss of R212,325,193 (2018: R179,529,609) during the year and that the municipality's total liabilities exceed its current assets by R404,126,007 (2018: R388,312,426). In addition, the municipality owed Eskom R263,047,090 (2018: R196,787,501) and Bethlehem Hydro (Pty) Ltd R27,502,989 (2018: R15,089,242) at 30 June 2019 which is long overdue. The municipality is not able to timeously recover outstanding amounts from consumer debtors and this is resulting in the inability to pay their suppliers within the 30 day time period.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 47. Events after the reporting date

There is no events after the reporting date.

### 48. Unauthorised expenditure

Opening balance as previously reported	321 296 714	150 705 542
<b>Opening balance as restated</b>	<b>321 296 714</b>	<b>150 705 542</b>
Add: Unauthorised Expenditure - current period	254 238 941	170 591 172
Less: Amount written off - current	(321 296 714)	-
<b>Closing balance</b>	<b>254 238 941</b>	<b>321 296 714</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	188 814 106	97 641 299
Cash	65 424 835	72 949 873
	<b>254 238 941</b>	<b>170 591 172</b>

#### Analysed as follows: non-cash

Depreciation and amortisation	188 049 106	32 404 409
Loss on disposal of property, plant and equipment	-	16 013 476
Provision of impairment	-	45 737 414
Actuarial losses	765 000	3 486 000
	<b>188 814 106</b>	<b>97 641 299</b>

#### Analysed as follows: cash

Repairs and maintenance	8 716 432	-
General expenditure	13 228 707	52 017 186
Employee related costs	34 146 806	7 809 695
Remuneration of Councillors	1 128 102	1 489 665
Finance charges	8 204 788	11 633 327
	<b>65 424 835</b>	<b>72 949 873</b>

### Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review

### Recoverability of unauthorised expenditure

No amounts will be recovered.

### 49. Fruitless and wasteful expenditure

Opening balance as previously reported	68 729 530	48 677 198
<b>Opening balance as restated</b>	<b>68 729 530</b>	<b>48 677 198</b>
Add: Fruitless Expenditure - current period	12 611 666	20 261 298
Less: Interest and penalties written back by SARS during the year	-	(208 966)
<b>Closing balance</b>	<b>81 341 196</b>	<b>68 729 530</b>

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Interest paid	12 611 666	20 261 298
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### 50. Irregular expenditure

Opening balance	90 255 329	85 891 480
<b>Opening balance as restated</b>	<b>90 255 329</b>	<b>85 891 480</b>
Less: Amounts written off by Council	(36 618 626)	(32 254 777)
Add: Irregular Expenditure - current period	20 214 694	36 618 626
<b>Closing balance</b>	<b>73 851 397</b>	<b>90 255 329</b>

Incidents/cases identified in the current year include those listed below:

Competitive bidding not invited	10 443 045	8 323 053
SCM Regulation 32 were made that did not adhere to the requirements	8 990 062	5 886 830
Three written quotations not invited	-	602 210
Tax clearances not obtained	-	216 708
Actual expenditure exceeded the contract amount	564 632	18 838 721
Payment made before the invoice	-	199 000
Incorrect deviation reason given	-	508 246
Vehicle purchase without council approval	-	2 025 276
Declaration of interest not submitted	-	538 412
Deviation to supply chain not reported at next council meeting	216 955	-
	<b>20 214 694</b>	<b>37 138 456</b>

Amounts written-off

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	3 219 277	1 907 070
Current year subscription / fee	2 637 707	2 167 270
Previous year subscription fee adjustment	291 800	144 937
Amount paid - previous years	(3 397 308)	(1 000 000)
	<b>2 751 476</b>	<b>3 219 277</b>

#### Audit fees

Opening balance	1 308 880	1 314 621
Current year invoices and interest	7 040 091	6 502 833
Amount paid - current year	(3 737 781)	(5 193 953)
Amount paid - previous years	(1 308 880)	(1 314 621)
	<b>3 302 310</b>	<b>1 308 880</b>

#### PAYE and UIF

Opening balance	2 566 954	2 034 803
Current year subscription / fee	35 813 245	29 628 181
Amount paid - current year	(32 729 884)	(27 061 227)
Amount paid - previous years	(2 566 954)	(2 034 803)
	<b>3 083 361</b>	<b>2 566 954</b>

#### Pension and Medical Aid Deductions

Opening balance	8 695 795	5 161 769
Current year subscription / fee	74 647 698	69 680 740
Amount paid - current year	(61 578 856)	(60 984 945)
Amount paid - previous years	(8 695 795)	(5 161 769)
	<b>13 068 842</b>	<b>8 695 795</b>

#### VAT

VAT receivable	11 827 648	20 203 215
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VAT output payables and VAT input receivables are shown in note 15.

Not all the VAT returns have been submitted by the due date throughout the year.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	6 220	131 749	137 969
KJ Rathebe	2 897	60 848	63 745
TMH Mofokeng	4 372	100 623	104 995
J Nhlapo	2 565	6 373	8 938
	<b>16 054</b>	<b>299 593</b>	<b>315 647</b>

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	15 472	130 133	145 605
KJ Rathebe	8 764	85 756	94 520
DB Michaels	3 096	1 236	4 332
TM Mofokeng	1 993	412	2 405
TMH Mofokeng	8 764	122 822	131 586
	<b>38 089</b>	<b>340 359</b>	<b>378 448</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
PD Lengoabala	137 969	270
KJ Rathebe	63 745	270
TMH Mofokeng	104 995	270
J Nhlapo	8 938	270
	<b>315 647</b>	

30 June 2018	Highest outstanding amount	Aging (in days)
PD Lengoabala	145 605	270
KJ Rathebe	96 347	270
DB Michaels	5 593	120
TM Mofokeng	2 405	90
THM Mofokeng	131 778	270
	<b>381 728</b>	

Distribution losses:

Water distribution losses for the year R12,894,874 -35.08% (2018: R6,542,104 - 31.71%)

Electricity distribution losses for the year R16,992,056 - 11.36% (2018: R3,166,032 - 2.48%)

The main reasons for the losses are due to the ageing infrastructure of the networks, also the leakages in the water network and the illegal connections in the electricity network.

# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Budget differences

#### Material differences between budget and actual amounts

Refer to paragraph 2.4 of the Accounting officers report for the detail explanations of the material variances.

### 53. In-kind donations and assistance

Details of donation	Rand value
900 School uniforms were donated to various schools	195 750
200 Food parcels for celebration of international Mandela Day were donated in June 2019	198 700
Publishing of book for local author in June 2019	4 802
3 Soccer attires and 5 soccer balls were donated in April 2019	17 423
500 Calculators were donated to disadvantaged school kids in April 2019	198 950
200 Food parcels for destitute families in April 2019	198 700
500 Basic food parcels were donated for Mandela Day in June 2019	197 500
In February 2019 training were done for 30 Youth SMME's	149 550
In December 2018 food packs were donated for X-mas to 100 kids	4 000
School shoes were donated to needy learners in January 2019	46 632
20 laptops and 20 cellphones to were donated to different schools in Janaury 2019	198 450
350 Scientific calculators were donated to various schools in December 2018	140 800
School shoes were donated in April 2019 to needy learners	104 620
Sanitary towels were donated to needy learners in January 2019	199 200
Cash amount donated to Lengau Choral Music Association for the Political Icons Choral Music Festival	100 000
Cash amount donated to Modimo o utlwile for transportation, catering, accomodation, artists and a PA system	20 000
Cash amount donated to Motshepuwa Primary School for tekkies, socks and refreshments	7 000
Cash amount donated to Makepeja for the Sol Plaatjie Marathon	120 000
Cash amount donated to Mohlamosa Projects for Bethlehem Carnival Music Event	350 000
Cash amount donated to Sefi Music Entertainment for the recording of a Album	15 000
Cash amount donated to 1KRCommunications for the Golf Challenge	130 000
Cash amounts to Big Fellas for Saka le Yona event	350 000
	<b>2 947 077</b>

### 54. Operating lease expense

#### Minimum lease payments due

- within one year	- 328 040
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# Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 55. Finance lease obligation

#### Minimum lease payments due

- within one year	307 503	278 534
- in second to fifth year inclusive	1 102 213	1 409 769

#### Present value of minimum lease payments

<b>1 409 716</b>	<b>1 688 303</b>
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Non-current liabilities

1 102 213

Current liabilities

307 503

**1 409 716**

**1 688 141**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10.25%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

### 56. Change in estimate

#### Provisions

The projected construction section inflation percentage was changed in the current year from 4.8% to 4.9%. The effect of this revision has increased the interest paid for the current year by R20,596.

### 57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Emergency	216 955	1 116 422
Sole provider	-	160 888
Impractical	-	45 715
	<b>216 955</b>	<b>1 323 025</b>

**Schedule of external loans as at 30 June 2019**

Loan Number	Redeemable	Balance at	Received during the period	Redeemed written off during the period	Balance at Sunday, 30 June 2019	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Saturday, 30 June 2018					
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
Long term loan	30/06/2025	37 906 652	-	4 181 649	33 725 003	-	-
		<b>37 906 652</b>	<b>-</b>	<b>4 181 649</b>	<b>33 725 003</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa		37 906 652	-	4 181 649	33 725 003	-	-
		<b>37 906 652</b>	<b>-</b>	<b>4 181 649</b>	<b>33 725 003</b>	<b>-</b>	<b>-</b>



APPENDIX B  
DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

Description	Historical Cost			Cost / Revaluation					Accumulated Depreciation					Accumulated Impairment					Accumulated Depreciation / Impairment			Carrying Value		
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Closing Balance
						Balance b/f	Added	Completed																
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land, buildings and community assets																								
Land	213,557,383.71	-	213,557,383.71	213,557,383.71	-	-	-	-	-	213,557,383.71	-	-	-	-	-	-	-	-	-	-	-	-	213,557,383.71	
General plant	213,557,384	-	213,557,384	213,557,384	-	-	-	-	-	213,557,384	-	-	-	-	-	-	-	-	-	-	-	-	213,557,384	
Distribution plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operational buildings	68,557,333.45	-	68,557,333.45	68,557,333.45	-	-	-	-	-	68,557,333.45	30,541,298.85	1,272,252.71	-	-	31,813,551.56	-	2,441,581.15	-	-	2,441,581.15	30,541,298.85	3,713,833.86	34,255,132.71	34,302,200.74
Municipal Offices	37,401,048	-	37,401,048	37,401,048	-	-	-	-	-	37,401,048	17,888,487	700,081	-	-	18,588,567	-	356,014	-	-	356,014	17,888,487	1,056,095	18,944,581	18,456,467
Pay/Enquiry Points	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Building Plan Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Workshops	2,009,692	-	2,009,692	2,009,692	-	-	-	-	-	2,009,692	407,932	40,420	-	-	448,352	-	-	-	-	407,932	40,420	448,352	1,561,340	
Houses	1,035,535	-	1,035,535	1,035,535	-	-	-	-	-	1,035,535	546,208	26,788	-	-	572,996	-	-	-	-	546,208	26,788	572,996	462,539	
Traffic Testing Station	585,819	-	585,819	585,819	-	-	-	-	-	585,819	311,270	22,160	-	-	333,430	-	-	-	-	311,270	22,160	333,430	252,389	
Yards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Stores	27,335,302	-	27,335,302	27,335,302	-	-	-	-	-	27,335,302	11,243,073	479,219	-	-	11,722,292	-	2,077,751	-	-	2,077,751	11,243,073	2,556,970	13,800,043	13,535,259
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Training Centres	189,937	-	189,937	189,937	-	-	-	-	-	189,937	144,329	3,585	-	-	147,914	-	7,816	-	-	7,816	144,329	11,401	155,730	34,207
Manufacturing Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depots	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community	231,784,854.93	2,410,429.90	234,195,284.83	231,784,854.93	2,410,429.90	513,043.48	3,391,007.18	-2,410,429.90	1,493,620.76	235,688,905.59	67,199,624.58	8,651,517.89	-	-	75,851,142.47	-	35,065,494.51	-	-	35,065,494.51	67,199,624.58	43,717,012.40	110,916,636.98	124,772,268.61
Cemeteries/Crematoria	18,552,754	-	18,552,754	18,552,754	-	-	-	-	-	18,552,754	3,556,265	881,367	-	-	4,437,632	-	699,792	-	-	699,792	3,556,265	1,581,159	5,137,424	13,415,329
Centres	2,411,502	-	2,411,502	2,411,502	-	-	-	-	-	2,411,502	989,794	75,241	-	-	1,065,035	-	1,121,227	-	-	1,121,227	989,794	1,196,468	2,186,262	225,241
Halls	43,480,256	-	43,480,256	43,480,256	-	-	-	-	-	43,480,256	11,009,444	2,894,689	-	-	13,904,133	-	5,446,346	-	-	5,446,346	11,009,444	8,341,035	19,350,479	24,129,777
Fire/Ambulance Stations	5,967,837	-	5,967,837	5,967,837	-	-	-	-	-	5,967,837	2,680,451	112,977	-	-	2,793,429	-	-	-	-	2,680,451	112,977	2,793,429	3,174,408	
Libraries	8,621,236	-	8,621,236	8,621,236	-	-	-	-	-	8,621,236	3,354,586	184,148	-	-	3,538,734	-	-	-	-	3,354,586	184,148	3,538,734	5,082,502	
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Public Open Space	14,211,031	-	14,211,031	14,211,031	-	-	-	-	-	14,211,031	7,808,975	484,436	-	-	8,293,411	-	-	-	-	7,808,975	484,436	8,293,411	5,917,620	
Stalls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Outdoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Airports	1,447,306	-	1,447,306	1,447,306	-	-	-	-	-	1,447,306	755,413	34,273	-	-	789,686	-	4,585	-	-	4,585	755,413	38,858	794,270	653,035
Clinics/Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Markets	583,384	-	583,384	583,384	-	-	-	-	-	583,384	300,114	21,374	-	-	321,487	-	-	-	-	300,114	21,374	321,487	261,897	
Museums	4,512,311	-	4,512,311	4,512,311	-	-	-	-	-	4,512,311	2,393,802	97,437	-	-	2,491,239	-	-	-	-	2,393,802	97,437	2,491,239	2,021,071	
Taxi Ranks/Bus Terminals	2,728,383	-	2,728,383	2,728,383	-	-	-	-	-	2,728,383	1,459,595	72,985	-	-	1,532,580	-	-	-	-	1,459,595	72,985	1,532,580	1,195,803	
Sport and Recreation Facilities - Indoor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sport and Recreation Facilities - Outdoor	129,268,856	2,410,430	131,679,286	129,268,856	2,410,430	513,043	3,391,007	(2,410,430)	1,493,621	133,172,906	32,891,185	3,792,592	-	-	36,683,777	-	27,793,544	-	-	27,793,544	32,891,185	31,586,136	64,477,321	68,695,585
Sport and Recreation Facilities - Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	513,899,572	2,410,430	516,310,002	513,899,572	2,410,430	513,043	3,391,007	(2,410,430)	1,493,621	517,803,623	97,740,923	9,923,771	-	-	107,664,694	-	37,507,076	-	-	37,507,076	97,740,923	47,430,846	145,171,770	372,631,853
Infrastructure assets																								
Electrical	199,043,849.15	124,014.71	199,167,863.86	199,043,849.15	124,014.71	7,524,668.78	15,467,740.93	-	22,992,409.71	222,160,273.57	100,685,105.04	5,512,974.10	-	-	106,198,079.14	-	2,810,735.69	-	-	2,810,735.69	100,685,105.04	8,323,709.79	109,008,814.84	113,151,458.73
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HV Substations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HV Transmission Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LV Networks	88,399,940	124,015	88,523,955	88,399,940	124,015	7,524,669	8,674,750	-	16,199,419	104,723,374	41,688,353	2,662,840	-	-	44,351,193	-	507,551	-	-	507,551	41,688,353	3,170,390	44,858,743	59,864,631
MV Networks	69,148,893	-	69,148,893	69,148,893	-	-	-	-	-	69,148,893	35,558,788	1,924,749	-	-	37,483,538	-	144,996	-	-	144,996	35,558,788	2,069,746	37,628,534	31,520,358
MV Substations	39,644,180	-	39,644,180	39,644,180	-	-	6,792,991	-	6,792,991	46,437,170	23,007,798	870,114	-	-	23,877,911	-	933,000	-	-	933,000	23,007,798	1,803,114	24,810,912	21,626,259
MV Switching Station	1,850,837	-	1,850,837	1,850,837	-	-	-	-	-	1,850,837	430,166	55,272	-	-	485,437	-	1,225,188	-	-	1,225,188	430,166	1,280,460	1,710,626	140,211
Power Plants	-	-	-	-	-	-	-	-	<															

APPENDIX B  
DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019																									
Description	Historical Cost			Cost / Revaluation							Accumulated Depreciation						Accumulated Impairment					Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value	
						Balance b/f	Added	Completed																	
Electricity Generating Facilities	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Landfill Sites	18,465,936	-	18,465,936	18,465,936	-	-	-	-	-	18,465,936	7,658,137	612,735	-	-	8,270,872	-	1,336,625	-	-	1,336,625	7,658,137	1,949,360	9,607,497	8,858,439	
Waste Drop-off Points	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste Separation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water supply	605,016,206.22	-	605,016,206.22	605,016,206.22	-	12,902,683.18	22,137,646.59	-5,102,608.69	29,937,721.08	634,953,927.30	170,691,175.09	15,664,607.32	-	-	186,355,782.41	-	4,232,742.89	-	-	4,232,742.89	170,691,175.09	19,897,350.21	190,588,525.30	444,365,402.00	
Boreholes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bulk Mains	-	-	-	-	-	-	4,389,257	-	4,389,257	4,389,257	-	-	-	-	-	-	-	-	-	-	-	-	-	4,389,257	
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dams and Weirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Distribution	379,424,327	-	379,424,327	379,424,327	-	3,372,896	-	-	3,372,896	382,797,223	86,319,054	9,290,248	-	-	95,609,301	-	1,209,099	-	-	1,209,099	86,319,054	10,499,347	96,818,400	285,978,823	
PRV Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pump Stations	67,881,061	-	67,881,061	67,881,061	-	-	5,102,609	(5,102,609)	-	67,881,061	24,324,328	2,429,461	-	-	26,753,789	-	1,488,613	-	-	1,488,613	24,324,328	3,918,074	28,242,402	39,638,659	
Reservoirs	84,591,430	-	84,591,430	84,591,430	-	-	-	-	-	84,591,430	24,100,995	1,652,812	-	-	25,753,807	-	1,355,575	-	-	1,355,575	24,100,995	3,008,386	27,109,382	57,482,048	
Water Treatment Works	51,973,660	-	51,973,660	51,973,660	-	9,529,787	12,645,781	-	22,175,568	74,149,228	23,317,012	1,602,712	-	-	24,919,724	-	179,457	-	-	179,457	23,317,012	1,782,169	25,099,181	49,050,047	
Water Storage	18,406,754	-	18,406,754	18,406,754	-	-	-	-	-	18,406,754	10,927,340	605,810	-	-	11,533,150	-	-	-	-	10,927,340	605,810	11,533,150	6,873,604	6,873,604	
Borehole	2,290,347	-	2,290,347	2,290,347	-	-	-	-	-	2,290,347	1,457,096	69,378	-	-	1,526,474	-	-	-	-	1,457,096	69,378	1,526,474	763,873	763,873	
Dam and Weirs	448,627	-	448,627	448,627	-	-	-	-	-	448,627	245,351	14,186	-	-	259,537	-	-	-	-	245,351	14,186	259,537	189,090	189,090	
Total	2,443,944,756	31,636,026	2,475,580,782	2,443,944,756	31,636,026	35,065,507	63,364,779	(31,636,026)	66,794,260	2,542,375,042	1,021,424,159	73,248,672	-	-	1,094,672,830	-	144,218,304	-	-	144,218,304	1,021,424,159	217,466,976	1,238,891,134	1,303,483,908	
Total	2,957,844,328	34,046,456	2,991,890,784	2,957,844,328	34,046,456	35,578,550	66,755,787	(34,046,456)	68,287,881	3,060,178,665	1,119,165,082	83,172,442	-	-	1,202,337,524	-	181,725,380	-	-	181,725,380	1,119,165,082	264,897,822	1,384,062,904	1,676,115,761	

DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018																								
Description	Historical Cost			Cost / Revaluation							Accumulated Depreciation					Accumulated Impairment					Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
						Balance b/f	Added	Completed																
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage assets	46,260,000.00	-	46,260,000.00																					
Historic buildings	46,260,000		46,260,000	46,260,000	-	-	-	-	-	46,260,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,260,000
Areas of Land of Historic Specific Significance																								
Total	46,260,000	-	46,260,000	46,260,000	-	-	-	-	-	46,260,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46,260,000

DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2018

Description	Historical Cost			Cost / Revaluation										Accumulated Depreciation					Accumulated Impairment					Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Under Construction			Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance					
						Balance b/f	Added	Completed																			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R				
Investment properties	660,157,824	-	660,157,824	660,157,824	-	-	-	-	-	660,157,824	-	-	-	-	-	-	-	-	-	-	-	-	660,157,824				
Land and buildings																											
Total	660,157,824	-	660,157,824	660,157,824	-	-	-	-	-	660,157,824	-	-	-	-	-	-	-	-	-	-	-	-	660,157,824				
Total Asset Register	3,618,002,152	34,046,456	3,652,048,608	3,618,002,152	34,046,456	35,578,550	66,755,787	(34,046,456)	68,287,881	3,720,336,489	1,119,165,082	83,172,442	-	-	1,202,337,524	-	181,725,380	-	-	181,725,380	1,119,165,082	264,897,822	1,384,062,904	2,336,273,585			

APPENDIX B  
DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Historical Cost				Cost / Revaluation						Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Value
	R	R	R	R	R	R	Balance b/f	Added	Completed	R	R	R	R	R	R	R	R	R	R
Land, buildings and community assets																			
Land	261,368,882.47	-	-47,811,498.76	213,557,383.71	261,368,882.47	-	-	-	-	-	-47,811,498.76	213,557,383.71	-	-	-	-	-	-	213,557,383.71
General plant	261,368,882	-	(47,811,499)	213,557,384	261,368,882	-	-	-	-	-	(47,811,499)	213,557,384	-	-	-	-	-	-	213,557,384
Distribution plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational buildings	68,482,481.50	74,851.95	-	68,557,333.45	68,482,481.50	74,851.95	-	-	-	-	-	68,557,333.45	27,780,925.46	2,760,373.38	30,541,298.85	27,780,925.46	2,760,373.38	30,541,298.85	38,016,034.61
Municipal Offices	37,326,196	74,852	-	37,401,048	37,326,196	74,852	-	-	-	-	-	37,401,048	16,333,178	1,555,309	17,888,487	16,333,178	1,555,309	17,888,487	19,512,562
Pay/Enquiry Points	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Plan Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	2,009,692	-	-	2,009,692	2,009,692	-	-	-	-	-	-	2,009,692	367,512	40,420	407,932	367,512	40,420	407,932	1,601,760
Houses	1,035,535	-	-	1,035,535	1,035,535	-	-	-	-	-	-	1,035,535	519,420	26,788	546,208	519,420	26,788	546,208	489,327
Traffic Testing Station	585,819	-	-	585,819	585,819	-	-	-	-	-	-	585,819	289,110	22,160	311,270	289,110	22,160	311,270	274,549
Yards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stores	27,335,302	-	-	27,335,302	27,335,302	-	-	-	-	-	-	27,335,302	10,142,717	1,100,357	11,243,073	10,142,717	1,100,357	11,243,073	16,092,229
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training Centres	189,937	-	-	189,937	189,937	-	-	-	-	-	-	189,937	128,989	15,340	144,329	128,989	15,340	144,329	45,608
Manufacturing Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depots	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community	218,989,697.74	12,795,157.19	-	231,784,854.93	218,989,697.74	12,795,157.19	4,754,218.34	8,628,834.28	-12,870,009.14	513,043.48	-	232,297,898.41	59,183,246.61	8,016,377.97	67,199,624.58	59,183,246.61	8,016,377.97	67,199,624.58	165,098,273.83
Cemeteries/Crematoria	6,924,077	11,628,677	-	18,552,754	6,924,077	11,628,677	4,754,218	7,047,848	(11,802,066)	-	-	18,552,754	2,870,746	685,520	3,556,265	2,870,746	685,520	3,556,265	14,996,488
Centres	2,411,502	-	-	2,411,502	2,411,502	-	-	-	-	-	-	2,411,502	138,285	851,510	989,794	138,285	851,510	989,794	1,421,708
Halls	43,480,256	-	-	43,480,256	43,480,256	-	-	-	-	-	-	43,480,256	9,461,174	1,548,270	11,009,444	9,461,174	1,548,270	11,009,444	32,470,812
Fire/Ambulance Stations	5,967,837	-	-	5,967,837	5,967,837	-	-	-	-	-	-	5,967,837	2,464,794	215,657	2,680,451	2,464,794	215,657	2,680,451	3,287,385
Libraries	8,621,236	-	-	8,621,236	8,621,236	-	-	-	-	-	-	8,621,236	3,127,551	227,035	3,354,586	3,127,551	227,035	3,354,586	5,266,650
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space	14,211,031	-	-	14,211,031	14,211,031	-	-	-	-	-	-	14,211,031	7,265,515	543,460	7,808,975	7,265,515	543,460	7,808,975	6,402,066
Stalls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	1,447,306	-	-	1,447,306	1,447,306	-	-	-	-	-	-	1,447,306	721,485	33,928	755,413	721,485	33,928	755,413	691,893
Clinics/Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	583,384	-	-	583,384	583,384	-	-	-	-	-	-	583,384	278,740	21,374	300,114	278,740	21,374	300,114	283,271
Museums	4,512,311	-	-	4,512,311	4,512,311	-	-	-	-	-	-	4,512,311	2,296,366	97,437	2,393,802	2,296,366	97,437	2,393,802	2,118,508
Taxi Ranks/Bus Terminals	2,728,383	-	-	2,728,383	2,728,383	-	-	-	-	-	-	2,728,383	1,386,609	72,985	1,459,595	1,386,609	72,985	1,459,595	1,268,788
Sport and Recreation Facilities - Indoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities - Outdoor Facilities	128,102,376	1,166,480	-	129,268,856	128,102,376	1,166,480	0	1,580,987	(1,067,943)	513,043	-	129,781,899	28,458,757	4,432,429	32,891,185	28,458,757	4,432,429	32,891,185	96,890,714
Sport and Recreation Facilities - Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	548,841,062	12,870,009	(47,811,499)	513,899,572	548,841,062	12,870,009	4,754,218	8,628,834	(12,870,009)	513,043	(47,811,499)	514,412,616	86,964,172	10,776,751	97,740,923	86,964,172	10,776,751	97,740,923	416,671,692
Infrastructure assets																			
Electrical	197,968,725.64	1,075,123.51	-	199,043,849.15	197,968,725.64	1,075,123.51	-	8,599,792.29	-1,075,123.51	7,524,668.78	-	206,568,517.93	69,558,712.26	31,126,392.78	100,685,105.04	69,558,712.26	31,126,392.78	100,685,105.04	105,883,412.88
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Substations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Transmission Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LV Networks	88,399,940	-	-	88,399,940	88,399,940	-	-	8,599,792	(1,075,124)	7,524,669	-	95,924,609	29,096,074	12,592,278	41,688,353	29,096,074	12,592,278	41,688,353	54,236,256
MV Networks	68,073,769	1,075,124	-	69,148,893	68,073,769	1,075,124	-	-	-	-	-	69,148,893	20,678,516	14,880,272	35,558,788	20,678,516	14,880,272	35,558,788	33,590,104
MV Substations	39,644,180	-	-	39,644,180	39,644,180	-	-	-	-	-	-	39,644,180	19,522,765	3,485,032	23,007,798	19,522,765	3,485,032	23,007,798	16,636,382
MV Switching Station	1,850,837	-	-	1,850,837	1,850,837	-	-	-	-	-	-	1,850,837	261,356	168,810	430,166	261,356	168,810	430,166	1,420,671
Power Plants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Railway	48,921,029.27	-	-	48,921,029.27	48,921,029.27	-	-	-	-	-	-	48,921,029.27	24,455,564.62	2,715,259.44	27,170,824.06	24,455,564.62	2,715,259.44	27,170,824.06	21,750,205.21
Rail Furniture	3,600	-	-	3,600	3,600	-	-	-	-	-	-	3,600	1,800	200	2,000	1,800	200	2,000	1,600
Rail Structures	48,917,429	-	-	48,917,429	48,917,429	-	-	-	-	-	-	48,917,429	24,453,765	2,715,059	27,168,824	24,453,765	2,715,059	27,168,824	21,748,605
Roads	947,601,166.51	11,057,779.35	-	958,658,945.86	947,601,166.51	11,057,779.35	4,336,935.17	21,358,998.97	-11,057,779.35	14,638,154.79	-	973,297,100.65	443,691,765.99	39,116,086.16	482,807,852.15	443,691,765.99	39,116,086.16	482,807,852.15	490,489,248.50
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	29,142,323	-	-	29,142,323	29,142,323	-	-	-	-	-	-	29,142,323	14,846,159	1,250,926	16,097,085	14,846,159	1,250,926	16,097,085	13,045,238
Road Structures	918,458,844	11,057																	

APPENDIX B  
DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Historical Cost				Cost / Revaluation							Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions		Closing Balance
	R	R	R	R	R	R	Balance b/f	Added	Completed	R	R	R	R	R	R	R	R		R
Sewer Pump Station	50,357,257	-	-	50,357,257	50,357,257	-	-	-	-	-	-	50,357,257	25,996,901	2,225,152	28,222,053	25,996,901	2,225,152	28,222,053	22,135,204
WWTW	219,218,262	-	-	219,218,262	219,218,262	-	-	-	-	-	-	219,218,262	83,169,527	8,908,219	92,077,746	83,169,527	8,908,219	92,077,746	127,140,516
Sewer Network	536,723	-	-	536,723	536,723	-	-	-	-	-	-	536,723	127,904	16,103	144,006	127,904	16,103	144,006	392,717
Collection	7,255,533	-	-	7,255,533	7,255,533	-	-	-	-	-	-	7,255,533	2,138,934	242,729	2,381,663	2,138,934	242,729	2,381,663	4,873,869
Treatment	45,566,033	-	-	45,566,033	45,566,033	-	-	-	-	-	-	45,566,033	4,159,993	1,446,788	5,606,782	4,159,993	1,446,788	5,606,782	39,959,251
Sewer Reticulation	173,384,465	-	-	173,384,465	173,384,465	-	0	-	-	0	-	173,384,465	50,331,037	5,838,791	56,169,829	50,331,037	5,838,791	56,169,829	117,214,636
<b>Solid waste</b>	<b>18,465,936.03</b>	<b>-</b>	<b>-</b>	<b>18,465,936.03</b>	<b>18,465,936.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,465,936.03</b>	<b>6,929,946.19</b>	<b>728,191.04</b>	<b>7,658,137.23</b>	<b>6,929,946.19</b>	<b>728,191.04</b>	<b>7,658,137.23</b>	<b>10,807,798.80</b>
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Generating Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	18,465,936	-	-	18,465,936	18,465,936	-	-	-	-	-	-	18,465,936	6,929,946	728,191	7,658,137	6,929,946	728,191	7,658,137	10,807,799
Waste Drop-off Points	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Separation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Water supply</b>	<b>589,857,240.70</b>	<b>15,158,965.52</b>	<b>-</b>	<b>605,016,206.22</b>	<b>589,857,240.70</b>	<b>15,158,965.52</b>	<b>12,902,683.18</b>	<b>15,158,965.52</b>	<b>-15,158,965.52</b>	<b>12,902,683.18</b>	<b>-</b>	<b>617,918,889.40</b>	<b>150,100,574.40</b>	<b>20,590,600.69</b>	<b>170,691,175.09</b>	<b>150,100,574.40</b>	<b>20,590,600.69</b>	<b>170,691,175.09</b>	<b>447,227,714.31</b>
Boreholes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk Mains	-	-	-	-	-	-	-	15,158,966	(15,158,966)	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams and Weirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution	366,361,337	13,062,991	-	379,424,327	366,361,337	13,062,991	3,372,896	-	-	3,372,896	-	382,797,223	73,308,557	13,010,496	86,319,054	73,308,557	13,010,496	86,319,054	296,478,169
PRV Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pump Stations	65,785,086	2,095,975	-	67,881,061	65,785,086	2,095,975	-	-	-	-	-	67,881,061	21,766,593	2,557,735	24,324,328	21,766,593	2,557,735	24,324,328	43,556,733
Reservoirs	84,591,430	-	-	84,591,430	84,591,430	-	-	-	-	-	-	84,591,430	21,685,038	2,415,957	24,100,995	21,685,038	2,415,957	24,100,995	60,490,435
Water Treatment Works	51,973,660	-	-	51,973,660	51,973,660	-	9,529,787	-	-	9,529,787	-	61,503,448	21,399,975	1,917,037	23,317,012	21,399,975	1,917,037	23,317,012	38,186,436
Water Storage	18,406,754	-	-	18,406,754	18,406,754	-	-	-	-	-	-	18,406,754	10,321,530	605,810	10,927,340	10,321,530	605,810	10,927,340	7,479,414
Borehole	2,290,347	-	-	2,290,347	2,290,347	-	-	-	-	-	-	2,290,347	1,387,718	1,457,096	69,378	1,387,718	1,457,096	833,251	-
Dam and Weirs	448,627	-	-	448,627	448,627	-	-	-	-	-	-	448,627	231,164	14,186	245,351	231,164	14,186	245,351	203,276
<b>Total</b>	<b>2,416,652,888</b>	<b>27,291,868</b>	<b>-</b>	<b>2,443,944,756</b>	<b>2,416,652,888</b>	<b>27,291,868</b>	<b>17,239,618</b>	<b>45,117,757</b>	<b>(27,291,868)</b>	<b>35,065,507</b>	<b>-</b>	<b>2,479,010,263</b>	<b>905,895,732</b>	<b>115,528,426</b>	<b>1,021,424,159</b>	<b>905,895,732</b>	<b>115,528,426</b>	<b>1,021,424,159</b>	<b>1,457,586,105</b>
<b>Total</b>	<b>2,965,493,950</b>	<b>40,161,878</b>	<b>(47,811,499)</b>	<b>2,957,844,328</b>	<b>2,965,493,950</b>	<b>40,161,878</b>	<b>21,993,837</b>	<b>53,746,591</b>	<b>(40,161,878)</b>	<b>35,578,550</b>	<b>(47,811,499)</b>	<b>2,993,422,879</b>	<b>992,859,904</b>	<b>126,305,177</b>	<b>1,119,165,082</b>	<b>992,859,904</b>	<b>126,305,177</b>	<b>1,119,165,082</b>	<b>1,874,257,797</b>

DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018

Description	Historical Cost				Cost/ Revaluation									Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance		
							Balance b/f	Added	Completed											
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Heritage assets	46,260,000.00	-	-	46,260,000.00																
Historic buildings	46,260,000	-	-	46,260,000	46,260,000	-	-	-	-	-	-	46,260,000	-	-	-	-	-	-	46,260,000	
Areas of Land of Historic Specific Significance																				
Total	46,260,000	-	-	46,260,000	46,260,000	-	-	-	-	-	-	46,260,000	-	-	-	-	-	-	46,260,000	

DIHLABENG LOCAL MUNICIPALITY  
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2018

Description	Historical Cost				Cost / Revaluation								Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Under Construction			Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Value
							Balance b/f	Added	Completed										
Investment properties	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings	660,157,824	-	-	660,157,824	660,157,824	-	-	-	-	-	-	660,157,824	-	-	-	-	-	-	660,157,824
Total	660,157,824	-	-	660,157,824	660,157,824	-	-	-	-	-	-	660,157,824	-	-	-	-	-	-	660,157,824
Total Asset Register	3,625,651,773	40,161,878	(47,811,499)	3,618,002,152	3,625,651,773	40,161,878	21,993,837	53,746,591	(40,161,878)	35,578,550	(47,811,499)	3,653,580,702	992,859,904	126,305,177	1,119,165,082	992,859,904	126,305,177	1,119,165,082	2,534,415,620

**APPENDIX C**  
**DIHLABENG LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

Description	Cost / Revaluation				Accumulated Depreciation			Accumulated Impairment			Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
3520 - CIVIL ENGINEERING ROADS	1,125,100,493	26,409,402	1,104,794	1,152,614,690	557,787,663	39,312,330	597,099,993	-	82,652,597	82,652,597	557,787,663	121,964,927	679,752,590	472,862,099
3520 - CIVIL ENGINEERING ROADS	1,125,100,493	26,409,402	1,104,794	1,152,614,690	557,787,663	39,312,330	597,099,993	-	82,652,597	82,652,597	557,787,663	121,964,927	679,752,590	472,862,099
3540 - CIVIL ENGINEERING SEWERAGE	496,318,272	5,102,609	13,751,611	515,172,492	184,602,078	12,146,025	196,748,103	-	53,185,604	53,185,604	184,602,078	65,331,629	249,933,707	265,238,785
3540 - CIVIL ENGINEERING SEWERAGE	496,318,272	5,102,609	13,751,611	515,172,492	184,602,078	12,146,025	196,748,103	-	53,185,604	53,185,604	184,602,078	65,331,629	249,933,707	265,238,785
3665 - SOLID WASTE MANAGEMENT	18,465,936	-	-	18,465,936	7,658,137	612,735	8,270,872	-	1,336,625	1,336,625	7,658,137	1,949,360	9,607,497	8,858,439
3665 - SOLID WASTE MANAGEMENT	18,465,936	-	-	18,465,936	7,658,137	612,735	8,270,872	-	1,336,625	1,336,625	7,658,137	1,949,360	9,607,497	8,858,439
3535 - ELECTRICAL ENGINEERING	199,043,849	124,015	24,659,530	223,827,394	100,685,105	5,512,974	106,198,079	-	2,810,736	2,810,736	100,685,105	8,323,710	109,008,815	114,818,579
3535 - ELECTRICAL ENGINEERING	199,043,849	124,015	24,659,530	223,827,394	100,685,105	5,512,974	106,198,079	-	2,810,736	2,810,736	100,685,105	8,323,710	109,008,815	114,818,579
3550 - LAND & HOUSING GENERAL	513,899,572	2,410,430	-	516,310,002	97,740,923	9,923,771	107,664,694	-	37,507,076	37,507,076	97,740,923	47,430,846	145,171,770	371,138,232
3550 - LAND & HOUSING GENERAL	513,899,572	2,410,430	-	516,310,002	97,740,923	9,923,771	107,664,694	-	37,507,076	37,507,076	97,740,923	47,430,846	145,171,770	371,138,232
3545 - CIVIL ENGINEERING WATER	605,016,206	-	29,937,721	634,953,927	170,691,175	15,664,607	186,355,782	-	4,232,743	4,232,743	170,691,175	19,897,350	190,588,525	444,365,402
3545 - CIVIL ENGINEERING WATER	605,016,206	-	29,937,721	634,953,927	170,691,175	15,664,607	186,355,782	-	4,232,743	4,232,743	170,691,175	19,897,350	190,588,525	444,365,402
<b>Total</b>	<b>2,957,844,328</b>	<b>34,046,456</b>	<b>69,453,657</b>	<b>3,061,344,441</b>	<b>1,119,165,082</b>	<b>83,172,442</b>	<b>1,202,337,524</b>	<b>-</b>	<b>181,725,380</b>	<b>181,725,380</b>	<b>1,119,165,082</b>	<b>264,897,822</b>	<b>1,384,062,904</b>	<b>1,677,281,537</b>

**APPENDIX C**  
**DIHLABENG LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation					Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
3520 - CIVIL ENGINEERING ROADS	1,114,042,713	11,057,779	14,638,155	-	1,139,738,648	513,382,204	44,405,459	557,787,663	513,382,204	44,405,459	557,787,663	581,950,985
3520 - CIVIL ENGINEERING ROADS	1,114,042,713	11,057,779	14,638,155	-	1,139,738,648	513,382,204	44,405,459	557,787,663	513,382,204	44,405,459	557,787,663	581,950,985
3540 - CIVIL ENGINEERING SEWERAG	496,318,272	-	0	-	496,318,272	165,924,295	18,677,783	184,602,078	165,924,295	18,677,783	184,602,078	311,716,194
3540 - CIVIL ENGINEERING SEWERAG	496,318,272	-	0	-	496,318,272	165,924,295	18,677,783	184,602,078	165,924,295	18,677,783	184,602,078	311,716,194
3665 - SOLID WASTE MANAGEMENT	18,465,936	-	-	-	18,465,936	6,929,946	728,191	7,658,137	6,929,946	728,191	7,658,137	10,807,799
3665 - SOLID WASTE MANAGEMENT	18,465,936	-	-	-	18,465,936	6,929,946	728,191	7,658,137	6,929,946	728,191	7,658,137	10,807,799
3535 - ELECTRICAL ENGINEERING	197,968,726	1,075,124	8,037,712	-	207,081,561	69,558,712	31,126,393	100,685,105	69,558,712	31,126,393	100,685,105	106,396,456
3535 - ELECTRICAL ENGINEERING	197,968,726	1,075,124	8,037,712	-	207,081,561	69,558,712	31,126,393	100,685,105	69,558,712	31,126,393	100,685,105	106,396,456
3550 - LAND & HOUSING GENERAL	548,841,062	12,870,009	-	(47,811,499)	513,899,572	86,964,172	10,776,751	97,740,923	86,964,172	10,776,751	97,740,923	416,158,649
3550 - LAND & HOUSING GENERAL	548,841,062	12,870,009	-	(47,811,499)	513,899,572	86,964,172	10,776,751	97,740,923	86,964,172	10,776,751	97,740,923	416,158,649
3545 - CIVIL ENGINEERING WATER	589,857,241	15,158,966	12,902,683	-	617,918,889	150,100,574	20,590,601	170,691,175	150,100,574	20,590,601	170,691,175	447,227,714
3545 - CIVIL ENGINEERING WATER	589,857,241	15,158,966	12,902,683	-	617,918,889	150,100,574	20,590,601	170,691,175	150,100,574	20,590,601	170,691,175	447,227,714
<b>Total</b>	<b>2,965,493,950</b>	<b>40,161,878</b>	<b>35,578,550</b>	<b>(47,811,499)</b>	<b>2,993,422,879</b>	<b>992,859,904</b>	<b>126,305,177</b>	<b>1,119,165,082</b>	<b>992,859,904</b>	<b>126,305,177</b>	<b>1,119,165,082</b>	<b>1,874,257,797</b>